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PROPERTY AND SPECIAL TAXES DEPARTMENT  
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May 4, 2005

TO INTERESTED PARTIES:

### PROPOSED WELFARE EXEMPTION RULES

Letter To Assessors 2004/052, dated September 17, 2004, announced the welfare exemption rules project. On March 16, 2005, an interested parties meeting was held in Sacramento to discuss key issues. On April 1, 2005, draft rules were distributed with an Interested Parties Letter and interested parties were invited to provide comments, in the form of alternative language, on the drafts of the proposed rules. Attached is a matrix for each proposed rule identifying the suggested revisions and staff's position with respect to each item. Additionally, a revised draft of each rule identifying changes to staff's previously issued draft of April 1, 2005, is provided. Each of these revised drafts incorporates staff's accepted changes as presented in the matrix.

A second interested parties meeting will be held on May 11, 2005, to discuss the alternative language identified on the enclosed matrixes. The meeting will be held at the Board's headquarters in Sacramento, 450 N Street, Board Room 121, at 1:00 p.m. Following the meeting, interested parties will have until May 18 to provide final comments on outstanding issues. Staff's recommended drafts of the rules, along with any outstanding issues, will be presented to the Board Members for their consideration at the June 30, 2005 Board meeting.

All documents relating to this project will be posted to the Board's website at <http://www.boe.ca.gov/proptaxes/ptrwelfare.htm>. If you have any questions regarding this project, you may contact Ms. Ladeena Ford, Senior Property Appraiser, at 916-324-5839. Questions regarding staff's position identified on the enclosed matrixes should be directed to Tax Counsel Sophia Chung at 916-445-8485.

Sincerely,

/s/ Dean R. Kinnee

Dean R. Kinnee, Chief  
Assessment Policy and Standards Division

DRK:lf  
Attachments

PROPOSED NEW WELFARE EXEMPTION RULES  
MATRIX OF ALTERNATIVE LANGUAGE

RULE 140, *Requirements of Managing General Partner of Limited Partnership for Welfare Exemption for Low-Income Housing Properties*

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
1	1	22-23	Cox, Castle Nicholson LLP	<b>Revise sentence:</b> (a)(3) "Limited partnership" means a <del>partnership formed by two or more persons with one or more general partners and one or more limited partners</del> <u>"limited partnership" as defined by section 15611, subdivision (r) of the Corporations Code, or a "foreign limited partnership" as defined by section 15611, subdivision (l) of the Corporations Code.</u>	Accepted.
2	1	29-30	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(5) "Majority in interest of the general partners" means more than 50 percent of the interests of the general partners <u>in profits, cash flow, or capital as interests are generally determined by partners in the Limited Partnership Agreement.</u>	See SBE Staff Rewrite, item 5.
3	1	29-30	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(5) "Majority in interest of the general partners" means more than 50 percent of the <u>voting</u> interests of the general partners.	See SBE Staff Rewrite, item 5.
4	1	29-30	Resch Polster Alpert & Berger	<b>Delete sentence:</b> <del>(a)(5) "Majority in interest of the general partners" means more than 50 percent of the interests of the general partners.</del>	Not Accepted.
5	1	29-30	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(5) "Majority in interest of the general partners" means more than 50 percent of the interests of the general partners <u>in the current profits derived from business operations of the limited partnership.</u>	Accepted. SBE Staff Rewrite.
6	1	34-36	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(6)(i) is a nonprofit corporation, <u>or a limited liability company meeting the requirements of Rule 136,</u> meeting the requirements of Revenue and Taxation Code section 214, designated in the limited partnership agreement as the "managing general partner" of the limited partnership;	See SBE Staff Rewrite, item 8.
7	1	34-36	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(6)(i) is a nonprofit corporation, <u>or eligible limited liability company</u> meeting the requirements of Revenue and Taxation Code section 214, designated in the limited partnership agreement as the "managing general partner" of the limited partnership;	See SBE Staff Rewrite, item 8.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
8	1	34-36	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(6)(i) is a nonprofit corporation, <u>or a limited liability company</u> meeting the requirements of Revenue and Taxation Code section 214, designated in the limited partnership agreement as the "managing general partner" of the limited partnership;	Accepted. SBE Staff Rewrite.
9	1	38-40	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(6)(ii) receives a partnership management fee, <u>or similar form of compensation however denominated</u> , the amount for which is set in the limited partnership agreement for performing its partnership management duties;	See SBE Staff Rewrite, item 16.
10	1	38-40	Resources for Community Development	<b>Revise sentence:</b> (a)(6)(ii) <del>receives</del> <u>is entitled to receive from partnership distributions</u> a partnership management fee, the amount for which is set in the limited partnership agreement for performing its partnership management duties;	See SBE Staff Rewrite, item 16.
11	1	38-40	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(6)(ii) receives a partnership management fee, <u>for performing its partnership management duties the amount for which is as set forth</u> in the limited partnership agreement <del>for performing its partnership management duties</del> <u>subject to available cash flow</u> ;	See SBE Staff Rewrite, item 16
12	1	38-40	Bridge Housing	<b>Revise sentence:</b> (a)(6)(ii) <del>receives</del> <u>earns</u> a partnership management fee, the amount for which is set in the limited partnership agreement for performing its partnership management duties;	See SBE Staff Rewrite, item 16.
13	1	38-40	Resch Polster Alpert & Berger; Los Angeles County Assessor's Office	<b>Delete sentence:</b> (a)(6)(ii) <del>receives a partnership management fee, the amount for which is set in the limited partnership agreement for performing its partnership management duties;</del>	Not Accepted.
14	1	38-40	California Housing Partnership Corporation	<b>Revise sentence:</b> (a)(6)(ii) <u>to the extent there is any cash flow available after payment of all expenses, debt service, and reserves</u> receives a partnership management fee <u>consistent with industry norms in California for managing the partnership as specified</u> , <del>the amount for which is set in the limited partnership agreement for performing its partnership management duties;</del>	See SBE Staff Rewrite, item 16.
15	1	38-40	Resch Polster Alpert & Berger	<b>Add sentence:</b> (a)(6)(ii) <u>performs "substantial management duties" (as defined in subdivision (a)(10) below); and</u>	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
16	1	38-40	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(6)(ii) receives a partnership management fee, <u>or similar form of compensation however denominated</u> , the amount for which is set in the limited partnership agreement for performing its partnership management duties, <u>to the extent there is any cash flow available after payment of all expenses, debt service, and reserves;</u>	Accepted. SBE Staff Rewrite.
17	1	42-45	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(6)(iii) has "material participation," as defined in subdivision (a)(7) below, in the control, management, and direction of the limited partnership's business and such material participation is specified in and required by the terms of the limited partnership agreement; <u>except that if all general partners of the partnership are organizations qualifying under subsection (i), then this requirement may be met by a combination of all of the general partners; and</u>	Not Accepted
18	1	42-45	Resch Polster Alpert & Berger	<b>Delete sentence:</b> (a)(6)(iii) <del>has "material participation," as defined in subdivision (a)(7) below, in the control, management, and direction of the limited partnership's business and such material participation is specified in and required by the terms of the limited partnership agreement;</del>	Not Accepted.
19	1 2	47-49 1-2	Resources for Community Development	<b>Revise paragraph:</b> (a)(6)(iv) <del>ensures</del> <u>has responsibility to ensure, by itself or in conjunction with other general partners,</u> that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; and	Not Accepted, see SBE Staff Rewrite, item 27.
20	1 2	47-49 1-2	California Association of Homes and Services for the Aging	<b>Revise paragraph:</b> (a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, <del>and family counseling,</del> <u>transportation, meals, and linkages to health and/or social services,</u> are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; and  <b>OR</b> <b>Revise paragraph:</b> (a)(6)(iv) ensures that charitable services or benefits <u>that are age appropriate for the low-income housing residents ,</u> <del>such as vocational training, educational programs, childcare and after</del>	Not Accepted, see SBE Staff Rewrite, item 27.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				<del>school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low income housing tenants; and</del>	
21	1 2	47-49 1-2	Steadfast Companies; Klein Financial Corporation; California Housing Consortium; Goldfarb & Lipman LLP; Bridge Housing; Law Offices of Patrick Sabelhaus	<b>Move paragraph to (a)(10):</b> <del>(a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low income housing tenants; and</del>	Not Accepted.
22	1 2	47-49 1-2	Cox, Castle & Nicholson, LLP	<b>Delete paragraph:</b> <del>(a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low income housing tenants; and</del>  <b>OR</b>  <b>Revise paragraph:</b> (a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; <u>provided however that nothing in this section is meant to require the Managing General Partner to perform such services or benefits itself;</u> and	Not Accepted. See SBE Staff Rewrite, item 27.
23	1 2	47-49 1-2	California Assessors' Association	<b>Revise paragraph:</b> (a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided, <del>or information regarding charitable services or benefits are made available to the low income housing tenants; and</del>	Not Accepted, see SBE Staff Rewrite, item 27.

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24	1 2	47-49 1-2	Los Angeles County Assessor's Office	<b>Revise paragraph:</b> (a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling; are provided <del>or information regarding charitable services or benefits are made available</del> to the low-income housing tenants; and	Not Accepted, see SBE Staff Rewrite, item 27.
25	1 2	47-49 1-2	Santa Clara County Assessors' Office	<b>Revise paragraph:</b> (a)(6)(iv) ensures that charitable services <del>or</del> benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling; are provided <del>or information regarding charitable services or benefits are made available</del> to the low-income housing tenants; and	Not Accepted, see SBE Staff Rewrite, item 27.
26	1 2	47-49 1-2	Resch Polster Alpert & Berger	<b>Delete paragraph:</b> <del>(a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; and</del>	Not Accepted.
27	1 2	47-49 1-2	SBE Staff Rewrite	<b>Revise paragraph:</b> (a)(6)(iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, <del>and</del> family counseling, <u>transportation, meals, and linkages to health and/or social services</u> are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; and	Accepted. SBE Staff Rewrite.
28	2	4-6	City Heights CDC	<b>Revise sentence:</b> (a)(6)(v) does not have officers, directors, or employees that are also officers, directors, or employees of the for-profit general partners <u>or affiliates of the for profit general partner</u> or limited partners of the limited partnership.	Accepted, see SBE Staff Rewrite, item 30.
29	2	4-6	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(6)(iv) does not have officers, directors, or employees that are also officers, directors, or employees of the for-profit general partners <u>or affiliates of the for profit general partner</u> or <u>the for-profit</u> limited partners of the limited partnership.	Accepted, see SBE Staff Rewrite, item 30.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
30	2	4-6	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(6)(v) does not have officers, directors, or employees that are also officers, directors, or employees of the for-profit general partners <u>or affiliates of the for profit general partner</u> or <u>the for-profit</u> limited partners of the limited partnership.	Accepted, SBE Staff Rewrite.
31	2	4-6	Bridge Housing	<b>Delete sentence:</b> <del>(a)(6)(v) does not have officers, directors, or employees that are also officers, directors, or employees of the for-profit general partners or limited partners of the limited partnership.</del>  <b>OR</b> <b>Revise sentence:</b> (a)(6)(v) does not have officers, directors, or employees that are also officers, directors, or employees of the for-profit general partners or <u>for-profit</u> limited partners of the limited partnership. <u>Exception to this rule is allowed for entities in which the Limited Partner is controlled by one or more non-profit organizations.</u>	Not Accepted.
32	2	7	California Housing Partnership Corporation	Add sentences: (a)(6) <u>(vi) employs personnel qualified and in a number reasonably sufficient to perform the required substantial management duties for all of the properties under its supervision.</u> <u>(vii) receives the Right of First Refusal as defined in IRC Section 42.</u> <u>(viii) to the extent there is any cash flow available after payment of all expenses, debt service, reserves and partnership management fee, receives an asset management fee consistent with industry norms in California for performing the asset management duties specified in (a)(10)(ii).</u> <u>(iv) execute and deliver all partnership documents on behalf of the limited partnership; (Note: Moved from (a)(10)(iv)).</u>	Not Accepted.
33	2	8-14	Resch Polster Alpert & Berger	<b>Delete paragraph:</b> <del>(a)(7) "Material participation" means that the limited partnership agreement expressly provides that the managing general partner:</del> <del>(i) has a vote in all the "major decisions," defined in subdivision (a)(8) below; and</del> <del>(ii) performs "substantial management duties," defined in subdivision (a)(10) below.</del>	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
34	2	11	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(7)(i) has a <u>right</u> to vote in all the "major decisions," defined in subdivision (a)(8) below; and	Accepted.
35	2	11	Los Angeles County Assessor's Office	<b>Revise sentence:</b> (a)(7)(i) <del>has a vote</del> <u>participates</u> in all the "major decisions," defined in subdivision (a)(8) below; and	Not Accepted.
36	2	11	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(7)(i) <u>must consent to or has a vote</u> in all the "major decisions," defined in subdivision (a)(8) below; and	Not Accepted.
37	2	13-14	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(7)(ii) <u>actually performs two or more "substantial management duties," defined in subdivision (a)(10) below, or delegates two or more "substantial management duties" defined in subdivision (a)(10) below and actually supervises and oversees the delegation of such duties.</u>	Not Accepted.
38	2	13-14	Santa Clara County Assessor's Office	<b>Revise sentence:</b> (a)(7)(ii) performs "substantial management duties <u>of the partnership,</u> " defined in subdivision (a)(10).	Not Accepted.
39	2	15	Santa Clara County Assessor's Office	<b>Add sentences:</b> (a)(7) <u>(iii) manages the day-to-day operations and affairs of the partnership</u> <u>(iv) manages the property, including but not limited to rents, maintains and repairs the low-income housing property, and if such duties are delegated to a property management agent, participates in hiring and overseeing the work of the property management agent;</u> <u>(vi) responsible for maintaining the partnership books and records</u>	See SBE Staff Rewrite, item 41.
40	2	15	California Assessors' Association	<b>Add sentences:</b> (a)(7) <u>(iii) Has control over the business, assets and affairs of the partnership</u> <u>(iv) Manages the day-to-day operations of the partnership</u> <u>(v) Participates in major management decisions of the partnership</u>	See SBE Staff Rewrite, item 41.
41	2	15	SBE Staff Rewrite	<b>Add sentence:</b> (a)(7) (ii) performs "substantial management duties," defined in subdivision (a)(10) below; <u>and</u> <u>(iii) directly, or indirectly under its supervision and control, manages the limited partnership as specified in the limited partnership agreement.</u>	Accepted. SBE Staff Rewrite.



Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
42	2	16-17	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(8) "Major decisions" means those acts, <u>if any,</u> that <del>may be done only by</del> <u>require</u> a vote of a majority in interest of the general partners <u>as specified in the limited partnership agreement.</u> <u>Such term does not include those acts that may be exercised by one or either general partner as specified in the limited partnership agreement.</u>	See SBE Staff Rewrite, item 46.
43	2	16-17	City Heights CDC	<b>Revise sentence:</b> (a)(8) "Major decisions" means those acts that may be done only by a vote <del>of a majority in interest</del> of the general partners as specified in the limited partnership agreement.	See SBE Staff Rewrite, item 46.
44	2	16-17	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(8) "Major decisions" means those acts that may be done only by a vote of a majority in interest of the general partners, <u>if the limited partnership agreement provides for voting; or those acts that the managing that may not be performed without the consent and approval of the managing general partner,</u> as specified in the limited partnership agreement.	See SBE Staff Rewrite, item 46.
45	2	16-17	Resch Polster Alpert & Berger	<b>Delete sentence:</b> (a)(8) " <del>Major decisions" means those acts that may be done only by a vote of a majority in interest of the general partners as specified in the limited partnership agreement.</del>	Not Accepted.
46	2	16-17	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(8) "Major decisions" means those acts, <u>if any,</u> that <del>require may be done only by</del> a vote of a majority in interest of the general partners as specified in the limited partnership agreement.	Accepted. SBE Staff Rewrite.
47	2	21-22	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(10) "Substantial management duties" <del>means that the managing general partner actually performs two or more of the following partnership management duties include:</del>	Not Accepted.
48	2	21-22	City Heights CDC	<b>Revise sentence:</b> (a)(10) "Substantial management duties" means that the managing general partner <u>has control of the day to day operations of the partnership and actually performs</u> <del>four two</del> <u>four</u> or more of the following partnership management duties:"	Not Accepted.
49	2	21-22	Steadfast Companies	<b>Revise sentence:</b> (a)(10) "Substantial management duties" means that the managing general partner <del>actually performs</del> <u>materially participates in</u> two or more of the following partnership management duties:	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
50	2	21-22	Citizens Housing Corporation; Community Economics; California Housing Partnership Corporation	<b>Revise sentence:</b> (a)(10) "Substantial management duties" means that the managing general partner actually performs <del>two or more of</del> the following partnership management duties:	Not Accepted.
51	2	21-22	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(10) "Substantial management duties" means that the managing general partner actually performs two or more of the following partnership management duties <u>on behalf of the limited partnership</u> :	Accepted.
52	2	21-22	Bridge Housing	<b>Revise sentence:</b> (a)(10) "Substantial management duties" means that the managing general partner actually <del>performs two</del> <u>participates in four or more of the following partnership management duties along with real control or decision making power over at least one duty</u> :	Not Accepted.
53	2	21-43	California Assessors' Association	<b>Revise paragraph:</b> (a)(10) "Substantial management duties" means that the managing general partner actually performs <u>both</u> <del>two or more of</del> the following partnership management duties: <del>(i) rent, maintain and repair the low-income housing property, and if such duties are delegated to a property management agent, participate in hiring and overseeing the work of the property management agent;</del> <del>(ii) participate in hiring and overseeing the work of persons necessary to provide services for the management and operation of the partnership business;</del> <del>(iii) enforce contracts executed by the limited partnership;</del> <del>(iv) execute and deliver partnership documents on behalf of the limited partnership;</del> <del>(v) prepare or cause to be prepared reports to be provided to the partners or lenders;</del> <del>(vi) coordinate present or future development, construction, rehabilitation of low-income housing properties; and</del> <u>(i) participates in the day-to-day operations and management of the low-income housing property, or if such duties are delegated to a property management agent, participates in overseeing the work of the</u>	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				property management agent; and (vii) monitors compliance with government regulations and <u>the filing file or superviseion of</u> the filing of required documents with government agencies.	
54	2	21-43	Los Angeles County Assessor's Office	<p><b>Revise Paragraph:</b> (a)(10) "Substantial management duties" means that the managing general partner actually performs <del>two or more of</del> the following partnership management duties:</p> <p><del>(i) rent, maintain and repair the low-income housing property, and if such duties are delegated to a property management agent, participate in hiring and overseeing the work of the property management agent;</del>  (ii) <del>participate in hiring and overseeing the work of persons necessary to provide services for the management and operation of the partnership business;</del>  (iii) <del>enforce contracts executed by the limited partnership;</del>  (iv) <del>execute and deliver partnership documents on behalf of the limited partnership;</del>  (v) <del>prepare or cause to be prepared reports to be provided to the partners or lenders;</del>  (vi) <del>coordinate present or future development, construction, rehabilitation of low-income housing properties; and</del>  (i) <u>participates in the day-to-day operations and management of the low-income housing property, or if such duties are delegated to a property management agent, participates in overseeing the work of the property management agent; and</u>  (vii) monitors compliance with government regulations and <u>the filing file or superviseion of</u> the filing of required documents with government agencies.</p>	Not Accepted.
55	2	21-43	Law Offices of Patrick R. Sabelhaus	<b>Comment:</b> The "two or more" language should be retained, but go back to the 19 duties expressed in BOE's current certification forms for this tax exemption.	See Staff Rewrite, item 101.
56	2	24-26	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(10)(i) rent, maintain and repair the low-income housing property, <del>and or</del> if such duties are delegated to a property management agent, participate in <u>hiring retaining</u> and overseeing the work of the property management agent;	See SBE Staff Rewrite, item 62.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
57	2	24-26	City Heights CDC	<b>Revise sentence:</b> (a)(10)(i) rent, maintain and repair the low-income housing property, and if such duties are delegated to a property management agent, <del>participate in hiring</del> <u>hire</u> and overseeing the work of the property management agent;	See SBE Staff Rewrite, item 62.
58	2	24-26	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(10)(i) rent, maintain and repair the low-income housing property, <del>and if such duties are delegated to a property management agent, participate in hiring and overseeing the work of the property management agent;</del>	See SBE Staff Rewrite, item 62.
59	2	24-26	Santa Clara County Assessor's Office	<b>Delete sentence:</b> <del>(a)(10)(i) rent, maintain and repair the low-income housing property, and if such duties are delegated to a property management agent, participate in hiring and overseeing the work of the property management agent;</del>	Not Accepted.
60	2	24-26	Resch Polster Alpert & Berger	<b>Add sentence as (a)(10)(i):</b> <u>provides and/or manages the delivery of social service programs to low-income housing tenants that are commensurate with the needs of such tenant population, such as vocational training, educational programs, childcare, after school programs, health programs, cultural activities, senior care and counseling;</u>	Not Accepted.
61	2	24-26	Resch Polster Alpert & Berger	<b>Revise sentence:</b> (a)(10)(i) <del>(ii) rent, maintain and repair</del> <u>participates in</u> a material manner in the day-to-day operations and management of the low-income housing property, <del>and or</del> if such duties are delegated to a property management agent, <u>participates in hiring and a material manner in</u> overseeing the work of the property management agent;	Not Accepted.
62	2	24-26	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(10)(i) rents, maintains and repairs the low-income housing property, <del>and or</del> if such duties are delegated to a property management agent, <u>participates in hiring and overseeing the work of the property management agent;</u>	Accepted. SBE Staff Rewrite.
63	2	28-29	City Heights CDC	<b>Revise sentence:</b> (a)(10)(ii) <del>participate in hiring and overseeing</del> <u>hire and oversee</u> the work of persons necessary to provide services for the management and operation of the partnership business;	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
64	2	28-29	Cox, Castle & Nicholson, LLP	<b>Revise sentence:</b> (a)(10)(ii) participate in <del>hiring</del> retaining and overseeing the work of persons necessary to provide services for the management and operation of the <u>limited</u> partnership business;	See SBE Staff Rewrite, item 69.
65	2	28-29	California Housing Consortium; California Housing Partnership Corporation	<b>Revise sentence:</b> (a)(10)(ii) participate in hiring and overseeing the work of persons necessary to provide services for <del>the</del> <u>asset</u> management and operations of the partnership business;	Not Accepted.
66	2	28-29	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(10)(ii) <del>participate in hiring and overseeing the work of persons necessary to provide services for the management and operation of the partnership business;</del>	Not Accepted.
67	2	28-29	Bridge Housing	<b>Revise sentence:</b> (a)(10)(ii) participate in hiring and overseeing the work of <del>persons</del> entities or firms necessary to provide services for the management and operation of the partnership business;	See SBE Staff Rewrite, item 69.
68	2	28-29	Santa Clara County Assessor's Office; Resch Polster Alpert & Berger	<b>Delete sentence:</b> (a)(10)(ii) <del>participate in hiring and overseeing the work of persons necessary to provide services for the management and operation of the partnership business;</del>	Not Accepted.
69	2	28-29	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(10)(ii) participates in hiring and overseeing the work of <u>all</u> persons necessary to provide services for the management and operation of the <u>limited</u> partnership business;	Accepted. SBE Staff Rewrite.
70	2	31	City Heights CDC	<b>Revise sentence:</b> (a)(10)(iii) <u>Execute and enforce</u> contracts <del>executed by</del> <u>for</u> the limited partnership;	See SBE Staff Rewrite, item 76.
71	2	31	Klein Financial Corporation	<b>Delete sentence:</b> (a)(10)(iii) <del>enforce contracts executed by the limited partnership;</del>	Not Accepted.
72	2	31	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(10)(iii) enforce <u>compliance with</u> contracts executed by the limited partnership;	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
73	2	31	Resch Polster Alpert & Berger	<b>Revise sentence:</b> (a)(10)(iii) <del>enforce contracts executed by the limited partnership</del> <u>participates in a material manner in the preparation and/or review of reports to be provided to the partners or lenders and review and provide input regarding such reports, but not necessarily all such reports; and;</u>	Not Accepted.
74	2	31	Santa Clara County Assessor's Office	<b>Revise sentence:</b> (a)(10)(iii) <del>(i)</del> <u>enforce all</u> contracts executed by the limited partnership;	See SBE Staff Rewrite, item 76.
75	2	31	California Housing Partnership Corporation	<b>Revise sentence:</b> (a)(10)(iii) <u>enforce or cause to be enforced</u> contracts executed by the limited partnership;	Not Accepted.
76	2	31	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(10)(iii) <u>executes and enforces all</u> contracts executed by the limited partnership;	Accepted. SBE Staff Rewrite.
77	2	31-43	Los Angeles County Assessor's Office	<b>Delete sentences:</b> (a)(10) <del>(iii) enforce contracts executed by the limited partnership; (iv) execute and deliver partnership documents on behalf of the limited partnership; (v) prepare or cause to be prepared reports to be provided to the partners or lenders; (vi) coordinate present or future development, construction, rehabilitation of low income housing properties; and (vii) monitor compliance with government regulations and file or supervise the filing of required documents with government agencies.</del>	Not Accepted.
78	2	33-34	California Housing Consortium	<b>Delete sentence:</b> (a)(10)(iv) <del>execute and deliver partnership documents on behalf of the limited partnership;</del>  <b>And</b>  <b>Move paragraph from (a)(6)(iv):</b> (a)(10)(iv) <u>ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; and</u>	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
79	2	33-34	Santa Clara County Assessor's Office	<b>Revise sentence:</b> (a)(10)(iv) <del>(ii)</del> execute and deliver <u>all</u> partnership documents on behalf of the limited partnership;	See SBE Staff Rewrite, item 81.
80	2	33-34	California Housing Partnership Corporation	<b>Move sentence to</b> (a)(6): <del>(a)(10)(iv) execute and deliver partnership documents on behalf of the limited partnership;</del>	Not Accepted.
81	2	33-34	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(10)(iv) executes and delivers <u>all</u> partnership documents on behalf of the limited partnership;	Accepted. SBE Staff Rewrite.
82	2	33-40	Resch Polster Alpert & Berger	<b>Delete sentences:</b> (a)(10) <del>(iv) execute and deliver partnership documents on behalf of the limited partnership;</del> <del>(v) prepare or cause to be prepared reports to be provided to the partners or lenders;</del> <del>(vi) coordinate present or future development, construction, rehabilitation of low income housing properties; and</del>	Not Accepted.
83	2	36-37	Santa Clara County Assessor's Office	<b>Revise sentence:</b> (a)(10)(iv) <del>(iii)</del> prepare or cause to be prepared <u>all</u> reports to be provided to the partners or lenders;	See SBE Staff Rewrite, item 88.
84	2	36-37	California Housing Consortium	<b>Revise sentence:</b> (a)(10)(v) prepare or cause to be prepared <u>on-going monthly, quarterly, and annual</u> reports to be provided to the partners or lenders;	See SBE Staff Rewrite, item 88.
85	2	36-37	California Housing Partnership Corporation	<b>Revise sentence:</b> (a)(10)(v) prepare or cause to be prepared <u>all</u> reports to be provided to the partners or lenders <u>consistent with the obligations of the limited partnership;</u>	See SBE Staff Rewrite, item 88.
86	2	36-37	Law Offices of Patrick R. Sabelhaus	<b>Revise sentence:</b> (a)(10)(v) prepare or cause to be prepared <u>on-going monthly, quarterly</u> reports to be provided to the partners or lenders <u>as required by the most current agreement of limited partnership;</u>	See SBE Staff Rewrite, item 88.
87	2	36-37	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(10)(v) prepare or cause to be prepared reports to be provided to the partners or lenders <u>on an ongoing and regular basis consistent with the requirements of the partnership agreement, but not less than quarterly;</u>	See SBE Staff Rewrite, item 88.
88	2	36-37	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(10)(v) prepares or causes to be prepared <u>all</u> reports to be provided to the partners or lenders <u>on a monthly;</u>	Accepted. SBE Staff Rewrite.

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				<u>quarterly, or annual basis consistent with the requirements of the limited partnership agreement;</u>	
89	2	39-40	Goldfarb & Lipman LLP	<b>Revise sentence:</b> (a)(10)(vi) coordinate present or future development, construction, rehabilitation of <u>the low-income housing properties;</u> <del>and that is the subject of the partnership agreement;</del>	See SBE Staff Rewrite, item 96.
90	2	39-40	Law Offices of Patrick R. Sabelhaus	<b>Revise sentence:</b> (a)(10)(vi) coordinate present <del>or future</del> development, construction, rehabilitation of low-income housing properties; and	Not Accepted.
91	2	39-40	Cox, Castle & Nicholson, LLP; California Housing Partnership Corporation	<b>Revise sentence:</b> (a)(10)(vi) coordinate present or future development, construction, <u>or</u> rehabilitation of low-income housing properties <u>of the partnership;</u> and	See SBE Staff Rewrite, item 96.
92	2	39-40	City Heights CDC ; Related Capital Company; California Housing Consortium	<b>Delete sentence:</b> <del>(a)(10)(vi) coordinate present or future development, construction, rehabilitation of low income housing properties; and</del>	Not Accepted.
93	2	39-40	California Housing Consortium	<b>Add sentence to replace (a)(10)(vi):</b> <u>(a)(10)(vi) has participated directly as the project sponsor primarily responsible for initiating the project (e.g., by securing of land, obtaining necessary public and/or private financing, facilitating receipt of applicable planning and building permits) but elects under the provision of (d) Delegation of Authority clause to delegate its substantial management duties defined in (a)(10) above;</u>	Not Accepted.
94	2	39-40	Bridge Housing	<b>Revise sentence:</b> (a)(10)(vi) <del>coordinate</del> participate materially in present or future development, construction, rehabilitation of low-income housing properties <u>that is the subject of the welfare exemption application;</u> and	See SBE Staff Rewrite, item 96.



Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
95	2	39-40	Santa Clara County Assessor's Office	<b>Revise sentence:</b> (a)(10)( <del>vi</del> )(iv) coordinate <u>all</u> present <del>or</del> <u>and</u> future development, construction, rehabilitation of low-income housing properties; and	See SBE Staff Rewrite, item 96.
96	2	39-40	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(10)(vi) coordinates <u>all</u> present <u>and</u> <del>or</del> future development, construction, <u>or</u> rehabilitation of low-income housing <del>properties</del> <u>property that is the subject of the limited partnership agreement;</u>	Accepted. SBE Staff Rewrite.
97	2	42-43	Santa Clara County Assessor's Office	<b>Revise sentence numbering:</b> (a)(10)( <del>vii</del> )(v) monitor compliance with government regulations and file or supervise the filing of required documents with government agencies.	Not Accepted.
98	2	42-43	City Heights CDC	<b>Delete sentence:</b> (a)(10)(vii) monitor compliance with government regulations and file or supervise the filing of required documents with government agencies.  <b>OR</b> <b>Revise sentence:</b> (a)(10)(vii) monitor compliance with government regulations and file or supervise the filing of required documents with government agencies <u>and contract for and approve (sign) the audited annual financial statement of the partnership.</u>	Not Accepted.
99	2	42-43	Resch Polster Alpert & Berger	<b>Revise sentence:</b> (a)(10)( <del>vii</del> ) (iv) participates in a material manner in <u>monitoring</u> compliance with government regulations and <u>the filing</u> or supervise <u>on</u> <u>of</u> the filing of required documents with government agencies.	Not Accepted.
100	2	42-43	SBE Staff Rewrite	<b>Revise sentence:</b> (a)(10)(vii) monitors compliance with <u>all</u> government regulations and <u>files</u> or supervises <u>the</u> filing of <u>all</u> required documents with government agencies; <u>:-</u>	Accepted. SBE Staff Rewrite.
101	2	44	SBE Staff Rewrite	<b>Add Sentences:</b> (a)(10) <u>(viii) acquire, hold, assign or dispose of property or any interest in property;</u> <u>(ix) borrow money on behalf of the partnership, encumber partnership assets, place title in the name of a nominee to obtain financing, prepay</u>	Accepted. SBE Staff Rewrite.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				<u>in whole or in part, refinance, increase, modify or extend any obligation;</u> <u>(x) pay organizational expenses incurred in the creation of the partnership and all operational expenses; and</u> <u>(xi) determine the amount and timing of distributions to partners and establish and maintain all required reserves.</u>	
102	2	44	Resch Polster Alpert & Berger	<b>Add sentence:</b> (a)(10) Notwithstanding the foregoing, a MGP will be required to perform only one or more of the forgoing "substantial management duties" if it contributes real property to a partnership or provides substantial funding to acquire real property where such contribution or funding is critical to making such a development possible.	Not Accepted.
103	2	45	Steadfast Companies; Klein Financial Corporation; Goldfarb & Lipman LLP	<b>Move paragraph from (a)(6)(iv):</b> <u>(a)(10)(viii) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, and family counseling, are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; and</u>	Not Accepted.
104	2	45	Cox, Castle & Nicholson, LLP	<b>Add paragraph:</b> (a)(11) "Welfare exemption" means <u>exemption provided by Revenue and Taxation Code section 214, subdivision (g), for low-income housing properties owned by a limited partnership in which the managing general partner is an eligible nonprofit corporation.</u>	Not Accepted. The Regulation is clarifying statutory provision of section 214(g) as to the welfare exemption for low-income housing.
105	3	1-4	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (b) The managing general partner must maintain <u>limited partnership</u> records and documents evidencing each partnership management duty it performs <del>and the charitable services and benefits provided or information made available to the low-income housing tenants.</del> Such <u>limited partnership</u> records and documents include, but are not limited to:	See SBE Staff Rewrite, item 110.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
106	3	1-4	Related Capital Company	<b>Revise paragraph:</b> (b) The managing general partner must maintain records and documents evidencing each partnership management duty it performs and the charitable services and benefits provided or information made available to the low-income housing tenants. Such records and documents <u>specific to the duties it performs may</u> include, but are not limited to:	Not Accepted.
107	3	1-4	California Association of Homes and Services for the Aging	<b>Revise paragraph:</b> (b) The managing general partner must maintain, <u>or cause to be maintained,</u> records and documents evidencing each partnership management duty it performs and the charitable services and benefits provided or information made available to the low-income housing tenants. Such records and documents include, but are not limited to:	Not Accepted.
108	3	1-4	Bridge Housing	<b>Revise paragraph:</b> (b) The managing general partner must maintain records and documents evidencing each <del>partnership</del> <u>substantial</u> management duty it performs and the charitable services and benefits provided or information made available to the low-income housing tenants. Such records and documents <u>may</u> include, but are not limited to:	Accepted. See SBE Staff Rewrite, item 110.
109	3	1-4	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (b) The managing general partner must maintain records and documents evidencing each partnership management duty it performs <del>and the charitable services and benefits provided or information made available to the low-income housing tenants.</del> Such records and documents include, but are not limited to:	See SBE Staff Rewrite, item 110.
110	3	1-4	SBE Staff Rewrite	<b>Revise paragraph:</b> (b) The managing general partner must maintain records and documents evidencing each partnership management duty <u>performed by the managing general partner.</u> <del>it performs and the charitable services and benefits provided or information made available to the low-income housing tenants.</del> Such records and documents include, but are not limited to:	Accepted. Staff Rewrite.
111	3	1-16	California Housing Consortium; Law Offices of Patrick R. Sabelhaus	<b>Revise paragraph:</b> (b) The managing general partner must maintain records and documents evidencing each partnership management duty it performs and the charitable services and benefits provided or information made available to the low-income housing tenants. <del>Such</del>	Not Accepted. Language provides a listing of types of records that should be

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				<p>records and documents include, but are not limited to:</p> <ul style="list-style-type: none"> <li>(1) <del>accounting books and records;</del></li> <li>(2) <del>tax returns;</del></li> <li>(3) <del>budgets and financial reports;</del></li> <li>(4) <del>reports required by lenders;</del></li> <li>(5) <del>documents related to the construction or rehabilitation of real property;</del></li> <li>(6) <del>legal documents such as contracts, deeds, notes, leases, and deeds of trust;</del></li> <li>(7) <del>documents related to complying with government regulations and filings;</del></li> <li>(8) <del>documents related to property inspections;</del></li> <li>(9) <del>documents related to charitable services provided;</del></li> <li>(10) <del>reports prepared for the partners; and</del></li> <li>(11) <del>bank account records.</del></li> </ul>	maintained by the MGP and may be reviewed by staff during audit to aid in the determination of whether MGP is fulfilling all duties.
112	3	1-16	Resch Polster Alpert & Berger	<p><b>Revise paragraph:</b> (b) The managing general partner must maintain records and documents evidencing each partnership management duty it performs <del>and the charitable services and benefits provided or information made available to the low income housing tenants. Such</del> records and documents include, but are not limited to:</p> <ul style="list-style-type: none"> <li>(1) <del>accounting books and records;</del></li> <li>(2) <del>tax returns;</del></li> <li>(3) <del>budgets and financial reports;</del></li> <li>(4) <del>reports required by lenders;</del></li> <li>(5) <del>documents related to the construction or rehabilitation of real property;</del></li> <li>(6) <del>legal documents such as contracts, deeds, notes, leases, and deeds of trust;</del></li> <li>(7) <del>documents related to complying with government regulations and filings;</del></li> <li>(8) <del>documents related to property inspections;</del></li> <li>(9) <del>documents related to charitable services provided;</del></li> <li>(10) <del>reports prepared for the partners; and</del></li> <li>(11) <del>bank account records.</del></li> </ul>	Not Accepted. Language provides listing of types of records that should be maintained by the MGP and may be reviewed by staff during audit to aid in the determination of whether MGP is fulfilling all duties.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
113	3	14	Bridge Housing	<p><b>Revise sentence:</b> (b)(9) documents related to charitable services provided <u>or the information provided on such services</u>;</p> <p><b>SBE STAFF REWRITE:</b></p> <p><b>Revise sentence:</b> (b)(9) documents related to charitable services <u>or benefits provided or the information provided regarding such services or benefits</u>;</p>	See SBE Staff Rewrite.
114	3	17	City Heights CDC	<b>Add sentence:</b> (b)(12) Audited annual financial statement of the <u>partnership</u>	See SBE Staff Rewrite, item 116.
115	3	17	Goldfarb & Lipman LLP	<b>Add sentence:</b> (b)(12) documents related to the provision of the <u>charitable services provided or information made available to the low-income housing tenants.</u>	See SBE Staff Rewrite item 116.
116	3	17	SBE Staff Rewrite	<b>Add sentence:</b> (b)(12) audited annual financial statement of the <u>limited partnership.</u>	Accepted. SBE Staff Rewrite.
117	3	18-22	Goldfarb & Lipman LLP; Bridge Housing	<b>Revise paragraph:</b> (c) Substitution of Managing General Partner. A limited partnership in which the managing general partner is an eligible nonprofit corporation <u>or eligible limited liability company</u> that has qualified for the welfare exemption for low-income housing may allow a substitution of its managing general partner by another eligible nonprofit corporation without affecting the organizational qualification for the welfare exemption provided that	Accepted.
118	3	24-28	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (c)(1) the limited partnership agreement authorizes the withdrawal <u>or replacement</u> of the existing managing general partner for the substituting managing general partner on the same effective date and the admission of the substituting managing general partner into the limited partnership is in compliance with the requirements of section 15641 of the Corporations Code; and	Not Accepted.
119	3	24-28	Resch Polster Alpert & Berger	<b>Revise paragraph:</b> (c)(1) the limited partnership agreement authorizes the withdrawal of <del>the existing managing</del> <u>a managing general partner</u> <del>and the admission of a substitute managing general partner for the substituting managing general partner</del> <u>, such withdrawal and substitution occur on the same effective date and the admission of the</u>	See SBE Staff Rewrite, item 120.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				<del>substituting</del> managing general partner into the limited partnership is in compliance with the requirements of section 15641 of the Corporations Code; and	
120	3	24-28	SBE Staff Rewrite	<b>Revise paragraph:</b> (c)(1) the limited partnership agreement authorizes the withdrawal of the <del>existing</del> managing general partner <u>and the admission of a substitute for the substituting</u> managing general partner on the same effective date and <del>the such</del> admission of the substituting managing general partner into the limited partnership is in compliance with the requirements of section 15641 of the Corporations Code; and	Accepted. SBE Staff Rewrite.
121	3	30-31	Resch Polster Alpert & Berger	<b>Revise sentence:</b> (c)(2) the <del>substituting</del> managing general partner meets all of the requirements of a managing general partner set forth in subdivision (a)(6) above	Accepted.
122	3	32	Cox, Castle & Nicholson, LLP	<b>Add paragraph:</b> (c)(3) <u>The replacement of an existing managing general partner under this subdivision (c) may be effected in any lawful manner permitted under the limited partnership agreement, including but not limited to withdrawal of the existing managing general partner and admission of the new managing general partner, transfer or sale of the existing managing general partner's interest to the new managing general partner, or removal of the existing managing general partner and election of a new managing general partner pursuant to the terms of the limited partnership agreement.</u>	Not Accepted.
123	3	33-34	California Assessors' Association	<b>Revise paragraph:</b> (d) Delegation of Authority Clause. If the limited partnership agreement contains a delegation of authority clause, <u>it may not delegate the duties in (a)(7) and</u> such clause must provide either that:	Not Accepted.
124	3	36-37	Resch Polster Alpert & Berger	<b>Revise sentence:</b> (d)(1) the managing general partner may not delegate any of its substantial management duties <del>defined in (a)(10) above</del> ; or	Not Accepted.
125	3	39-41	Resch Polster Alpert & Berger	<b>Revise sentence:</b> (d)(2) the managing general partner may delegate its substantial management duties, <del>defined in (a)(10) above</del> , to persons who, under its supervision, may perform such duties for the partnership subject to the supervision and approval by the managing general partner.	Not Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
126	3	39-41	City Heights CDC	<p><b>Delete sentence:</b> <del>(d)(2) the managing general partner may delegate its substantial management duties, defined in (a)(10) above, to persons who, under its supervision, may perform such duties for the partnership subject to the supervision and approval by the managing general partner.</del></p> <p><b>OR</b></p> <p><b>Revise paragraph:</b> (d)(2) the managing general partner may delegate its substantial management duties, defined in (a)(10) above, to persons who, under its supervision, may perform such duties for the partnership subject to the supervision and approval by the managing general partner. <u>Such persons may not be affiliated with the General (for profit) or limited partner.</u></p>	Not Accepted.
127	3	39-41	California Housing Consortium	<p><b>Revise paragraph:</b> (d)(2) the managing general partner may delegate its substantial management duties, defined in (a)(10) above, to persons who, under its supervision, may perform such duties for the partnership subject to the supervision and approval by the managing general partner. <u>In order to adequately perform supervision as referenced above, the managing general partner must provide evidence of its capacity including the presence of qualified staff persons or a consultant in its direct employ who are experienced in affordable housing development and/or management as well as a record of additional housing developments among its consultant's experience.</u></p>	Not Accepted.
128	3	39-41	Klein Financial Corporation	<p><b>Revise paragraph:</b> (d)(2) the managing general partner may delegate its substantial management duties, defined in (a)(10) above, to persons who, under its supervision, may perform such duties for the partnership subject to the supervision and approval by the managing general partner. <u>If the managing general partner elects to delegate one or more of its substantial management duties, the managing general partner must demonstrate that it has adequate capacity, in the form of qualified staff and/or consultant(s), to supervise the performance of the duty(ies) it has delegated.</u></p>	See SBE Staff Rewrite, see item 129.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
129	3	39-41	SBE Staff Rewrite	<b>Revise paragraph:</b> (d)(2) the managing general partner may delegate its substantial management duties, defined in (a)(10) above, to persons who, under its supervision, may perform such duties for the partnership subject to the supervision and approval by the managing general partner. <u>If the managing general partner elects to delegate one or more of its substantial management duties, the managing general partner must demonstrate that it is actually supervising the performance of the delegated duties.</u>	Accepted. SBE Staff Rewrite.
130	3	42	California Housing Partnership Corporation	<b>Add paragraphs:</b> (d)(2) <u>(i) In the event that the managing general partner elects to delegate any of the substantial management duties, it shall execute an agreement with the party to whom it is delegating said duties. The agreement shall state clearly which duties are being delegated, the period of time of the delegation and the amount of consideration. The agreement shall state explicitly that the managing general partner is responsible for supervising and enforcing the terms of the agreement.</u> <u>(ii) No delegation shall be allowed if any other party indemnifies or otherwise holds harmless the managing general partner from its failure to supervise the implementation of all substantial management duties.</u>	Not Accepted.
131	3	46	Related Capital Company	<b>Revise paragraph:</b> (f) The provisions of this regulation shall apply prospectively. <u>For partnerships existing before [effective date of the rule], business terms and economics need not be changed to accommodate the requirements of Rule 140 if such changes would result in negative tax consequences to the property, or if approval would be difficult to obtain from the limited partners. So long as the managing general partner is performing duties related to the business of the partnership, such duties will be Accepted as "substantial management duties" for purposes of the Supplemental Clearance Certificate.</u>	See SBE Staff Rewrite, item 137.
132	3	46	Pillsbury Winthrop Shaw Pittman LLP	<b>Revise paragraph:</b> (f) The provisions of <del>this</del> regulation <u>140-143</u> shall apply prospectively. <u>In the case of owners that are limited partnerships, these Regulations shall apply only to claims by limited partnerships to which the initial managing general partner is admitted after the effective date of these Regulations.</u>	See SBE Staff Rewrite, item 137.



Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
133	3	46	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (f) The provisions of this regulation shall apply prospectively. <u>Rule 140 shall not be applied to deny or revoke the welfare exemption to any limited partnership for any year if such limited partnership filed for its initial application prior to the effective date of this Rule.</u>	See SBE Staff Rewrite, item 137.
134	3	46	California Housing Consortium	<b>Revise paragraph:</b> (f) The provisions of this regulation shall apply prospectively to all projects where the <u>non-profit managing general partner has been added to the limited partnership ownership entity on or after the date upon which Rule 140 is deemed to be effective.</u>	See SBE Staff Rewrite, item 137.
135	3	46	Klein Financial Corporation	<b>Revise paragraph:</b> (f) The provisions of this regulation shall apply prospectively. <u>Rule 140 shall not be applied to deny or revoke the welfare exemption to any limited partnership for any year if such limited partnership filed for its initial application prior to the effective date of this Rule.</u>	See SBE Staff Rewrite, item 137.
136	3	46	Bridge Housing	<b>Comment:</b> <i>New rules should be applicable only to partnerships where the prospective MGP is admitted to the partnership on or after the effective date of the new regulations. [No suggested language submitted.]</i>	See SBE Staff Rewrite, item 137.
137	3	46	SBE Staff Rewrite	<b>Revise paragraph:</b> (f) The provisions of this regulation shall apply prospectively to <u>claims or applications for the welfare exemption under Revenue and Taxation Code section 214, filed on or after the effective date of this regulation. Claimants that are not in compliance with this regulation shall be granted a reasonable amount of time to comply with this regulation.</u>	Accepted, SBE Staff Rewrite.
138	3	47	California Housing Consortium	<b>Add new paragraph:</b> (g) <u>Documents of partnerships formed prior to the date upon which Rule 140 is deemed to be effective need not be amended to show compliance with Rule 140. Rather, BOE should rely on the annual certifications submitted by the general partners.</u>	See SBE Staff Rewrite, item 137.

PROPOSED NEW WELFARE EXEMPTION RULES  
 MATRIX OF ALTERNATIVE LANGUAGE  
 RULE 141, *Requirements for Supplemental Clearance Certificate for Limited Partnership for  
 Welfare Exemption for Low-Income Housing Properties*

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
1	1	10-15	California Association of Homes and Services for the Aging	<b>Revise paragraph:</b> (a) A limited partnership in which the managing general partner is an eligible nonprofit corporation, as defined in Regulation 140, that owns low-income housing property for which it will claim the welfare exemption shall file with the State Board of Equalization an application for a Supplemental Clearance Certificate for each low-income housing property. The form of the application shall be prescribed by the State Board of Equalization. <u>The processing of the clearance certificate will be completed within 60 days.</u>	Not accepted. Processing time is dependent on workload factors and completeness of the filing. Additional information may be requested on claims.
2	1	10-15	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (a) A limited partnership in which the managing general partner is an eligible nonprofit corporation, <u>or eligible limited liability company, meeting the requirements of as defined in</u> Regulation 140, that owns low-income housing property for which it will claim the welfare exemption shall file with the State Board of Equalization an application for a Supplemental Clearance Certificate for each low-income housing property. The form of the application shall be prescribed by the State Board of Equalization.	Accepted.
3	1	21-23	Steadfast Companies	<b>Revise paragraph:</b> (c) In order to qualify for a Supplemental Clearance Certificate, the <del>general partners</del> <u>owner</u> of the limited partnership, including the managing general partner, must certify under penalty of perjury under the laws of the State of California, that:	Not Accepted. "General Partners" more clearly indicates that certification must be made by all partners. All general partners are listed on Secretary of State Forms LP1 and LP2.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
4	1	25-27	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (c)(1) The acquisition, <u>construction</u> , rehabilitation, development, or operation of the property, or any combination of these factors, is financed with <del>federal</del> low-income housing tax credits or government financing, as defined in Regulation 142;	Accepted.
5	1	29-36	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (c)(2) There is an enforceable and verifiable regulatory agreement or recorded deed restriction, as defined in Regulation 142, that restricts all or a portion of the property's usage for rental to lower income households and the units designated for use by lower income households are continuously available to or occupied by lower income households at rents that do not exceed those prescribed by <del>section 50053 of the Health and Safety Code, or, to the extent that</del> the terms of a regulatory agreement or recorded deed restriction, as defined in Regulation 142, <del>conflict with section 50053, or to the extent that none are provided in the regulatory agreement or recorded deed restriction, at rents that do not exceed those prescribed by such terms</del> <u>Section 50053 of the Health and Safety Code</u> ;	See SBE Staff Rewrite, item 8.
6	1	29-36	Law Offices of Patrick R. Sabelhaus	<b>Revise paragraph:</b> (c)(2) There is an enforceable and verifiable regulatory agreement or recorded deed restriction <u>or a Preliminary Reservation Letter from the California Tax Credit Allocation Committee or the California Debt Limit Allocation Committee Bond Cap Allocation Letter</u> , as defined in Regulation 142, that restricts all or a portion of the property's usage for rental to lower income households and the units designated for use by lower income households are continuously available to or occupied by lower income households at rents that do not exceed those prescribed by section 50053 of the Health and Safety Code, or, to the extent that the terms of a regulatory agreement or recorded deed restriction, as defined in Regulation 142, conflict with section 50053, rents that do not exceed those prescribed by such terms;	Not Accepted. Acceptance of reservation letters in place of a regulatory agreement or deed restriction should be addressed in terms of all low-income housing properties, not just limited partnerships. More appropriate in Regulation 142.
7	1	29-36	Resch Polster Alpert & Berger	<b>Revise paragraph:</b> (c)(2) There is an enforceable and verifiable regulatory agreement <u>or if no such agreement formally exists at such time, the limited partnership is required by law to execute an enforceable and verifiable regulatory agreement when such agreement is presented to it by the applicable public agency</u> or recorded deed	See SBE Staff Rewrite, item 8.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				restriction, as defined in Regulation 142, that restricts all or a portion of the property's usage for rental to lower income households and the units designated for use by lower income households are continuously available to or occupied by lower income households at rents that do not exceed those prescribed by section 50053 of the Health and Safety Code, or, to the extent that the terms of a regulatory agreement, <u>whether recorded or required to be recorded</u> , or recorded deed restriction, as defined in Regulation 142, conflict with section 50053, rents that do not exceed those prescribed by such terms;	
8	1	29-36	SBE Staff Rewrite	<b>Revise paragraph:</b> (c)(2) There is an enforceable and verifiable regulatory agreement or recorded deed restriction, as defined in Regulation 142, that restricts all or a portion of the property's usage for rental to lower income households and the units designated for use by lower income households are continuously available to or occupied by lower income households at rents that do not exceed those prescribed by <del>section 50053 of the Health and Safety Code, or, to the extent that</del> the terms of a regulatory agreement or recorded deed restriction, as defined in Regulation 142, <del>conflict with section 50053, or to the extent that none are provided in the regulatory agreement or recorded deed restriction, at rents that do not exceed those prescribed by such terms</del> <u>section 50053 of the Health and Safety Code;</u>	Accepted. SBE Staff Rewrite based on comments received.
9	1	42	Cox, Castle & Nicholson, LLP	<b>Revise Sentence:</b> (c)(4) The managing general partner meets the requirements of <del>Regulation</del> <u>Rule</u> 140; and	Not Accepted.
10	2	31-33	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (d)(9) Copy of the regulatory agreement with a public agency, or a copy of a recorded deed restriction which <del>verifies</del> <u>accompanies</u> the receipt of <del>federal</del> low-income housing tax credits or government financing, as defined in Regulation 142; and	See SBE Staff Rewrite, item 12.
11	2	31-33	Resch Polster Alpert & Berger	<b>Revise paragraph:</b> (d)(9) Copy of the regulatory agreement with a public agency <u>or if such agreement has not yet been delivered to the limited partnership by such public agency, a copy of the form upon which the regulatory agreement to be prepared by the public agency and recorded in the public records is to be based</u> , or a copy of a recorded deed restriction which <u>is or is required to be executed as a</u>	See SBE Staff Rewrite, item 12.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				<del>requirement to the receipt</del> <del>verifies the receipt</del> of federal-low-income housing tax credits or government financing, as defined in Regulation 142; and	
12	2	31-33	SBE Staff Rewrite	<b>Revise paragraph:</b> (d)(9) Copy of the regulatory agreement with a public agency, or a copy of a recorded deed restriction which <u>verifies or evidences the receipt of federal-low-income housing tax credits or government financing, as defined in Regulation 142; and</u>	Accepted. SBE Staff Rewrite – consistent with Regulation 142.
13	2	35	Related Capital Company	<b>Revise Sentence:</b> (d)(10) Copy of the grant deed <u>or ground lease</u> .	See SBE Staff Rewrite, item 14.
14	2	35	SBE Staff Rewrite	<b>Revise Sentence:</b> (d)(10) Copy of the grant deed <u>or ground lease if land is not owned by the limited partnership</u> .	Accepted. SBE Staff Rewrite.
15	2	41-46	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (f) In the event that the <u>limited partnership has actual knowledge of facts that the general partner designated in the limited partnership agreement as the managing general partner no longer meets the definition of managing general partner, as defined in Regulation within the meaning of Rule 140, or the managing general partner withdraws from the partnership and is not replaced in compliance with the provisions of Rule 140(c), the limited partnership shall report such event-facts to the State Board of Equalization and the assessor of the county in which in property is located no later than the next succeeding annual filing deadline for the welfare exemption claim.</u>	Not Accepted. All general partners must file affidavits annually certifying that the managing general partner meets the requirements of Regulation 140.

PROPOSED NEW WELFARE EXEMPTION RULES  
MATRIX OF ALTERNATIVE LANGUAGE  
RULE 142, *Welfare Exemption Requirements for Low-Income Housing Properties*

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
1	1	12-14	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (a)(1) "Federal low-income housing tax credits" means <del>that the property owner is eligible for and receives state low-income housing tax credits or</del> federal low-income housing tax credits pursuant to section 42 of the Internal Revenue Code.	Not accepted, intent to define term to include state and federal low-income tax credits.
2	1	12-14	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (a)(1) " <del>Federal</del> Low-income housing tax credits" means that the property owner is eligible for and receives state low-income housing tax credits pursuant to California Revenue and Taxation Code sections 12205, 12206, 17057.5, 17058, 23610.4 and 23610.5 or federal low-income housing tax credits pursuant to section 42 of the Internal Revenue Code.  <b>SBE STAFF REWRITE</b>  (a)(1) " <del>Federal</del> Low-income housing tax credits" means that the property owner is eligible for and receives state low-income housing tax credits pursuant to Revenue and Taxation Code sections 12205, 12206, 17057.5, 17058, 23610.4 and 23610.5 or federal low-income housing tax credits pursuant to section 42 of the Internal Revenue Code.	Accepted. See SBE Staff Rewrite.
3	1	16-24	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (a)(2) "Government financing" means financing or financial assistance from local, state or federal government used for the acquisition, rehabilitation, <u>construction</u> , development, or operation of <del>the a</del> a low-income housing property in the form of: (1) tax-exempt mortgage revenue bonds; (2) general obligation bonds; (3) local, state or federal loans; (4) local, state or federal grants; (5) any loan insured or guaranteed by the federal government; <del>and or</del> (6) project-based federal funding under section 8 of the Housing Act of 1937. The term "government financing" does not include properties that solely receive federal rental assistance through tenant rent-subsidy vouchers under section 8 of the Housing Act of 1937.	See SBE Staff Rewrite, item 5.
4	1	16-24	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (a)(2) "Government financing" means financing or financial assistance from local, state or federal government used for the acquisition, rehabilitation, development, or operation of the low-income housing property in the form of: (1) tax-exempt mortgage revenue bonds; (2)	See SBE Staff Rewrite, item 5.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
				general obligation bonds; (3) local, state or federal loans; (4) local, state or federal grants; (5) any loan insured, <u>held</u> , or guaranteed by the federal government; and (6) project-based federal funding under section 8 of the Housing Act of 1937. The term "government financing" does not include properties that solely receive federal rental assistance through tenant rent-subsidy vouchers under section 8 of the Housing Act of 1937.	
5	1	16-24	SBE Staff Rewrite	<b>Revise paragraph:</b> (a)(2) "Government financing" means financing or financial assistance from local, state or federal government used for the acquisition, rehabilitation, <u>construction</u> , development, or operation of <del>the a</del> a low-income housing property in the form of: (1) tax-exempt mortgage revenue bonds; (2) general obligation bonds; (3) local, state or federal loans; (4) local, state or federal grants; (5) any loan insured, <u>held</u> , or guaranteed by the federal government; <del>and or</del> (6) project-based federal funding under section 8 of the Housing Act of 1937. The term "government financing" does not include properties that solely receive federal rental assistance through tenant rent-subsidy vouchers under section 8 of the Housing Act of 1937.	Accepted. SBE Staff Rewrite.
6	1	26-32	Pillsbury Winthrop Shaw Pittman LLP	<b>Delete paragraph:</b> <del>(a)(3) "Other legal document" means a document that is adopted as a resolution or statement of policy by an organization's board of directors, or executed by an organization's chief executive officer, provided that the board of directors has delegated this authority in writing to the chief executive officer, that restricts the property's use to low income housing, such that a minimum of 90% of the units of the property are made continuously available to or occupied by lower income households at rent levels defined in subdivision (c) below.</del>	Not accepted. Regulation provides guidance on low-income housing in accordance with section 214(g). Properties without a regulatory agreement or deed restriction may qualify using an "other legal document;" (a)(3) needed to describe what is meant by such document. See (b)(2) of this regulation for further information on this issue.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
7	1	37-40	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (a)(5) "Recorded deed restriction" means a deed recorded <del>in</del> as an encumbrance against title to the property in the official records of the county in which the property is located, which specifies that all or a portion of the property's usage is restricted to rental to lower income households and identifies the number of units restricted to use as low-income housing.	Accepted.
8	1	42-48	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (a)(6) "Regulatory agreement" means an enforceable and verifiable agreement with a government agency that has provided <del>federal</del> low-income housing tax credits or government financing for the acquisition, rehabilitation, <u>construction</u> , development or operation of a low-income housing property that restricts all or a portion of the property's usage for rental to lower income households. The <u>regulatory</u> agreement shall identify the number of units restricted for use as low-income housing, specify the maximum rent allowed for those units <u>as may be adjusted periodically</u> , and be recorded in the county in which the property is located.	See SBE Staff Rewrite, item 12.
9	1	42-48	Related Capital Company	<b>Revise paragraph:</b> (a)(6) "Regulatory agreement" means an enforceable and verifiable agreement with a government agency that has provided federal low-income housing tax credits or government financing for the acquisition, rehabilitation, development or operation of a low-income housing property that restricts all or a portion of the property's usage for rental to lower income households. The agreement shall identify the number of units restricted for use as low-income housing, specify the maximum rent allowed for those units, and be recorded in the county in which the property is located. <u>For properties financed under IRC section 42, until such time as the Regulatory Agreement is recorded, the TCAC Preliminary Reservation Letter and Staff Report are acceptable to demonstrate compliance with this section.</u>	See SBE Staff Rewrite, item 12.
10	1	42-48	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (a)(6) "Regulatory agreement" means an enforceable and verifiable agreement with a government agency that has provided federal low-income housing tax credits or government financing for the acquisition, rehabilitation, development or operation of a low-income housing property that restricts all or a portion of the property's usage for rental to lower income households. The agreement shall identify the number of units restricted for use as low-income housing <u>and</u> , specify the maximum rent allowed for those units, <del>and be recorded in the county in which the property is located.</del>	See SBE Staff Rewrite, item 12.



Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
11	1	42-48	Resch Polster Alpert & Berger	<b>Revise paragraph:</b> (a)(6) "Regulatory agreement" means an enforceable and verifiable agreement with a government agency that has provided federal low-income housing tax credits as well as a regulatory agreement that has not yet been delivered to the limited partnership by the government agency, but <u>which is required to be executed by the limited partnership as requirement to the receipt of such credits, or government financing for the acquisition, rehabilitation, development or operation of a low-income housing property that restricts all or a portion of the property's usage for rental to lower income households. The agreement shall identify the number of units restricted for use as low-income housing, specify the maximum rent allowed for those units, and be recorded in the county in which the property is located, provided, however that if the regulatory agreement has not yet been delivered to the limited partnership by the government agency that awarded the low-income housing tax credits, the partnership may submit the form of regulatory agreement upon which the actual regulatory agreement will be based, state the number of units required by the government agency for use by low-income housing, specify the maximum rent to allowed for those units (as may be adjusted periodically) and certify that at such time as the regulatory agreement is delivered by the government agency to the partnership, it will be executed and recorded as required by the government agency.</u>	See SBE Staff Rewrite, item 12.
12	1	42-48	SBE Staff Rewrite	<b>Revise paragraph:</b> (a)(6) "Regulatory agreement" means an enforceable and verifiable agreement with a government agency that has provided <del>federal</del> low-income housing tax credits or government financing for the acquisition, rehabilitation, <u>construction,</u> development or operation of a low-income housing property that restricts all or a portion of the property's usage for rental to lower income households. The <u>regulatory</u> agreement shall identify the number of units restricted for use as low-income housing, specify the maximum rent allowed for those units, and be recorded in the county in which the property is located. <u>Until such time as the Regulatory Agreement is finalized and recorded, the Preliminary Reservation Letter from the California Tax Credit Allocation Committee or California Debt Limit Allocation Committee Bond Cap Allocation Letter is acceptable.</u>	Accepted. SBE Staff Rewrite based on comments received.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
13	2	1-22	Gateway Affordable Housing	<p><b>Revise paragraph: (b) QUALIFIED CLAIMANTS.</b> Claimants may qualify for the welfare exemption for low-income housing properties provided that the requirements set forth in either (1) or (2) below are met:</p> <p>(1) All claimants listed under Revenue and Taxation Code section 214, subdivision (g)(1) as a qualifying organization, including limited partnerships in which the managing general partner is an eligible nonprofit corporation, may qualify for the exemption for a particular property provided that:</p> <p>(i) the claimant receives federal low-income housing tax credits or government financing for the particular property; <del>and or</del></p> <p>(ii) the property is subject to a recorded deed restriction or a regulatory agreement which is recorded in the county in which the property is located.</p> <p>(2) All low-income housing properties, subject to restrictions imposed by an other legal document, defined in subdivision (a)(3) above, owned by claimants listed under Revenue and Taxation Code section 214, subdivision (g)(1) as a qualifying organization, other than limited partnerships in which the managing general partner is an eligible nonprofit corporation, qualify for the welfare exemption, <del>but the amount of the exemption shall not exceed \$20,000 in tax for a single claimant with respect to a single or multiple properties as provided in Revenue and Taxation Code section 214, subdivision (g)(1)(C).</del></p>	<p>Not Accepted.</p> <p>Statute requires both tax credits or government financing <b>and</b> recorded deed restriction or regulatory agreement.</p> <p>In addition, \$20,000 tax limitation language consistent with 214(g)(1)(c).</p>
14	2	5-8	Goldfarb & Lipman LLP	<p><b>Revise sentence:</b> (b)(1) All claimants listed under Revenue and Taxation Code section 214, subdivision (g)(1) as a qualifying organization, including limited partnerships in which the managing general partner is an eligible nonprofit corporation <u>or an eligible limited liability company</u>, may qualify for the exemption for a particular property provided that:</p>	Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
15	2	10-11	California Association of Homes and Services for the Aging	<b>Revise Sentence:</b> (b)(1)(i) the claimant receives federal low-income housing tax credits or government financing for the particular property; and/or	Not Accepted. Statutory provisions of section 214(g)(1) requires both tax credits or government financing <b>and</b> recorded deed restriction or regulatory agreement.
16	2	10-11	Cox, Castle & Nicholson, LLP	<b>Revise Sentence:</b> (b)(1)(i) the claimant receives <del>federal</del> low-income housing tax credits or government financing for the particular property; and	Accepted.
17	2	16-22	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (b)(2) All low-income housing properties, subject to restrictions imposed by an other legal document, defined in subdivision (a)(3) above, owned by claimants listed under Revenue and Taxation Code section 214, subdivision (g)(1) as a qualifying organization, other than limited partnerships in which the managing general partner is an eligible nonprofit corporation <u>or an eligible limited liability company</u> , qualify for the welfare exemption but the amount of the exemption shall not exceed \$20,000 in tax for a single claimant with respect to a single or multiple properties as provided in Revenue and Taxation Code section 214, subdivision (g)(1)(C).	Accepted.
18	2	24-32	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (c) <del>FEDERAL LOW-INCOME HOUSING TAX CREDITS AND GOVERNMENT FINANCING.</del> For purposes of subdivision (b)(1)(i) above, a property has <del>federal</del> low-income housing tax credits or government financing, as defined in subdivisions (a)(1) and (a)(2), respectively, for the period of time that a regulatory agreement or recorded deed restriction restricts the use of all or any portion of the property for rental to lower income households even if the government financing has been refinanced or has been paid in full, or the <u>term allocation</u> of the <del>federal</del> low-income housing tax credits has <u>terminated or expired</u> , <del>provided that the government agency that is a party to the regulatory agreement continues to monitor and enforce compliance with the terms of the regulatory agreement.</del>	See SBE Staff Rewrite, item 19.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
19	2	24-32	SBE Staff Rewrite.	<b>Revise paragraph: (c) <del>FEDERAL LOW-INCOME HOUSING TAX CREDITS AND GOVERNMENT FINANCING.</del></b> For purposes of subdivision (b)(1)(i) above, a property has <del>federal</del> low-income housing tax credits or government financing, as defined in subdivisions (a)(1) and (a)(2), respectively, for the period of time that a regulatory agreement or recorded deed restriction restricts the use of all or any portion of the property for rental to lower income households even if the government financing has been refinanced or has been paid in full, or the <del>term-allocation</del> of the <del>federal</del> low-income housing tax credits has <u>terminated or expired</u> , provided that the government agency that is a party to the regulatory agreement continues to monitor and enforce compliance with the terms of the regulatory agreement.	Accepted. SBE Staff Rewrite.
20	2	43-46	Pillsbury Winthrop Shaw Pittman LLP	<b>Revise paragraph: (d)(2)</b> The percentage of the value of the property qualifying for the exemption is based on the actual use of the property for rental to lower income households for the qualifying rent, and is not limited to the percentage designated for use by lower income households in the regulatory agreement, recorded deed restriction, <del>or other legal document.</del>	Not accepted. Regulation provides guidance on low-income housing in accordance with section 214(g); properties without a regulatory agreement or recorded deed restriction may qualify using an "other legal document." See (b)(2) of this regulation for further information on this issue.
21	2	43-46	California Association of Homes and Services for the Aging	<b>Revise paragraph: (d)(2)</b> The percentage of the value of the property qualifying for the exemption is based on the actual use of the property for rental to lower income households for the qualifying rent, and is not limited to the percentage designated for use by lower income households in the regulatory agreement, recorded deed restriction, or other legal document. <u>Units reserved for the resident property manager are included in the percentage of units that qualify for the exemption.</u>	Accepted.

Item No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
22	2	43-46	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (d)(2) The percentage of the value of the property qualifying for the exemption is <u>the greater of: (i) the percentage of property based on the actual used of the property</u> for rental to lower income households for the qualifying rent, and <del>is not limited to</del> (ii) the percentage designated for use by lower income households in the regulatory agreement, recorded deed restriction, or other legal document.	Not accepted. Exemption based on actual use.

PROPOSED NEW WELFARE EXEMPTION RULES  
MATRIX OF ALTERNATIVE LANGUAGE  
RULE 143, *Requirements for Irrevocable Dedication Clause and Dissolution Clause for Welfare Exemption*

No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
1			Cox, Castle & Nicholson, LLP	<b>Comment:</b> <i>We strongly urge deletion of Rule 143 in its entirety as it is unnecessary because the IRS and FTB make the determinations called for in the rule. Rule creates an independent system that is not necessarily similar to or consistent with the IRS/FTB system.</i>	Not accepted. Regulation needed to clarify statute.
2			Steadfast Companies	<b>Comment:</b> <i>We are uncertain as to the purpose of the proposed rule, it appears to merely reiterate the criteria applied by the IRS and FTB.</i>	See SBE Staff position item 1.
3			Resch Polster Alpert & Berger	<b>Comment:</b> <i>The rule is unnecessary because it enters the realm of determinations already required to be made by the IRS and the FTB in connection with an entity qualifying for non-profit status.</i>	See SBE Staff position item 1.
4			Law Offices of Patrick R. Sabelhaus	<b>Comment:</b> <i>Rule 143 is unnecessary. 1) California law requires a nonprofit corporation to have clauses in its formation documents which guarantees that no part of its assets will inure to any private individual, and 2) there are nonprofit MGP's founded in other states but eligible to do business in California and through this rule BOE would be unnecessarily involving itself in the laws of other states.</i>	See SBE Staff position item 1.
5	1	11-14	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (a)(1) "Dissolution clause" means a statement in the organizational documents of a qualifying organization that upon the liquidation, dissolution, or abandonment of the qualifying organization, the exempt property will not inure to the benefit of any private person except another qualifying organization. <u>For purposes of this Rule, the exempt property is the partnership interest of the managing general partner in the limited partnership.</u>	Not accepted. Dissolution clause in articles of qualifying organization, which as defined in (a)(4) of this regulation does not include "limited partnership." Articles of qualifying nonprofit organizations must meet language requirements.

No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
6	1	24-28	Goldfarb & Lipman LLP	<b>Revise paragraph:</b> (a)(4)“Qualifying organization” means a community chest, fund, foundation, <u>nonprofit</u> corporation, or <u>eligible</u> limited liability company <del>meeting the requirements of Regulation 136,</del> organized and operated exclusively for religious, hospital, scientific, or charitable purposes. Charitable purposes include educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j).	Accepted.
7	1	34-42	Cox, Castle & Nicholson, LLP	<b>Revise paragraph:</b> (b) <b>IN GENERAL.</b> In order to qualify for the welfare exemption <del>provided in Revenue and Taxation Code section 214,</del> among other requirements specified therein, the property owned by a qualifying organization must be irrevocably dedicated exclusively to a qualifying purpose, and upon the liquidation, dissolution, or abandonment of the qualifying organization, the property will not inure to the benefit of any private person except another qualifying organization. In order to satisfy these requirements, the organizational document of the qualifying organization must contain both an irrevocable dedication clause, which meets the requirements set forth in subdivision (c) below, and a dissolution clause, which meets the requirements set forth in subdivision (d) below.	Not accepted. The welfare exemption is provided in Revenue and Taxation Code section 214. In addition, the language in this paragraph of the rule is consistent with section 214, subdivision (a)(6).
8	1	34-42	Resources for Community Development	<b>Revise paragraph:</b> (b) <b>IN GENERAL.</b> In order to qualify for the welfare exemption provided in Revenue and Taxation Code section 214, among other requirements specified therein, the property owned by a qualifying organization must be irrevocably dedicated exclusively to a qualifying purpose, and upon the liquidation, dissolution, or abandonment of the qualifying organization, the property will not inure to the benefit of any private person except another qualifying organization. In order to satisfy these requirements, the organizational document of the qualifying organization must contain both an irrevocable dedication clause, which meets the requirements set forth in subdivision (c) below, and a dissolution clause, which meets the requirements set forth in subdivision (d) below. <u>The provisions of this regulation shall apply prospectively.</u>	Not accepted. This language is consistent with current statute and current practice. The organizational document (i.e., articles of incorporation) of the nonprofit managing general partner of the limited partnership are currently reviewed to ensure that the ID and DC include acceptable language consistent with statutory provisions.

No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
9	2	14-15	Hoge, Fenton, Jones & Appel, Inc.	<p><b>Add paragraph between (c)(3) and existing (c)(4):</b> <u>(c)(4) An irrevocable dedication clause which meets the requirements of this Rule 143 also may dedicate the organization's assets to exempt purposes qualifying under section 501(c)(3) of the Internal Revenue Code.</u></p> <p>(c)(4<del>5</del>) The following examples illustrate irrevocable dedication clauses as defined in subdivision (a)(3) above:</p> <p><b>SBE STAFF REWRITE:</b> Replace page 2, lines 14 through 15, with the following paragraph:</p> <p><b>Add paragraph:</b> <u>(c)(4) An irrevocable dedication clause which meets the requirements of this Rule 143 also may dedicate the organization's assets to religious, hospital, scientific, or charitable purposes qualifying under section 501(c)(3) of the Internal Revenue Code.</u></p> <p>(c)(4<del>5</del>) The following examples illustrate irrevocable dedication clauses as defined in subdivision (a)(3) above:</p>	Not accepted. Some exempt purposes qualifying under 501(c)(3) do not qualify for the welfare exemption. However, see SBE Staff Rewrite, item 10.
10	2	29	Hoge, Fenton, Jones & Appel, Inc.	<p><b>Add examples:</b> <u>(c)(4) Example No. 5: The property owned by this organization is irrevocably dedicated to charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.</u></p> <p><u>Example No. 6: The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.</u></p>	Accepted.
11	2	30-41	Hoge, Fenton, Jones & Appel, Inc.	<p><b>Revise paragraph: (d) DISSOLUTION CLAUSE.</b> <i>Comment to add and/or replace the language in subdivision (d) to make it clear what is intended by the reference to "a qualifying organization," and to include a reference to Section 501(c)(3). At a minimum, suggest adding a new example (5) under subdivision (d) to include the above quoted dissolution language required by the Franchise Tax Board.</i></p>	Accepted, see added Example No. 5, item 16..



No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
12	2 3	45-47 1-2	Goldfarb & Lipman LLP	<b>Revise example:</b> (d)(3) Example No. 1: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to <del>an qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for a charitable, scientific, hospital, or religious purpose</del> <u>meeting the requirements of Revenue and Taxation Code section 214.</u>	Accepted.
13	3	4-8	Goldfarb & Lipman LLP	<b>Revise example:</b> (d)(3) Example No. 2: Upon the liquidation, dissolution or abandonment of this organization, the proceeds or assets related to property located in California, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to <del>an qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for a charitable, scientific, hospital, or religious purpose</del> <u>meeting the requirements of Revenue and Taxation Code section 214.</u>	Accepted.
14	3	10-14	Goldfarb & Lipman LLP	<p><b>Revise example:</b> (d)(3) Example No. 3: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to <del>an qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for exclusively for charitable and educational purposes</del> meeting the requirements of Revenue and Taxation Code section 214.</p> <p><b>SBE STAFF REWRITE</b></p> <p>(d)(3) Example No. 3: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to <del>an qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for</del> exclusively for charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.</p>	Accepted. See SBE Staff Rewrite.

No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
15	3	16-20	Goldfarb & Lipman LLP	<p><b>Revise example:</b> (d)(3) Example No. 4: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to <del>an qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for exclusively for educational purposes</del> <u>meeting the requirements of as defined in</u> Revenue and Taxation Code section 214, subdivision (j).</p> <p><b>SBE STAFF REWRITE</b></p> <p>(d)(3) Example No. 4: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to <del>an qualifying organization under Revenue and Taxation Code section 214, which is organized and operated for</del> <u>exclusively for educational purposes meeting the requirements of as defined in</u> Revenue and Taxation Code section 214, subdivision (j).</p>	Accepted. See SBE Staff Rewrite.
16	3	21	Hoge, Fenton, Jones & Appel, Inc.	<p><b>Add example:</b> (d)(3) <u>Example No. 5: Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under Section 501(c)(3), Internal Revenue Code.</u></p> <p><b>SBE STAFF REWRITE</b></p> <p>(d)(3) <u>Example No. 5: Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code.</u></p>	Accepted. See SBE Staff Rewrite.

No.	Page/Line Reference		Source	Proposed Language	SBE Staff Position
17	3	22	SBE Staff Rewrite	<b>Add example:</b> (d)(3) <u>Example No. 6: Upon the dissolution or winding up of the organization, its assets remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a nonprofit organization which is organized and operated exclusively for charitable purposes.</u>	Accepted. SBE Staff Rewrite.

1                   **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2                   **RULE 140 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3                   **OF THE BOARD OR ANY BOARD MEMBER.**

4  
5                   **DRAFT OF PROPOSED PROPERTY TAX RULE 140**  
6                   **REQUIREMENTS OF MANAGING GENERAL PARTNER**  
7                   **OF LIMITED PARTNERSHIP FOR WELFARE EXEMPTION**  
8                   **FOR LOW-INCOME HOUSING PROPERTIES**  
9

- 10  
11 (a) Definitions. The definitions set forth in this regulation shall govern the construction of  
12 Revenue and Taxation Code section 214, subdivision (g), which provides the requirements  
13 for the welfare exemption for low-income housing properties owned by a limited partnership  
14 in which the managing general partner is an eligible nonprofit corporation.  
15  
16 (1) "General partner" means "general partner" as defined by section 15611, subdivision (n)  
17 of the Corporations Code.  
18  
19 (2) "Limited partner" means "limited partner" as defined by section 15611, subdivision (q)  
20 of the Corporations Code.  
21  
22 (3) "Limited partnership" means a ~~partnership formed by two or more persons with one or~~  
23 ~~more general partners and one or more limited partners~~ "limited partnership" as defined  
24 by section 15611, subdivision (r) of the Corporations Code, or a "foreign limited  
25 partnership" as defined by section 15611, subdivision (l) of the Corporations Code.  
26  
27 (4) "Limited partnership agreement" means any valid written agreement of the partners as to  
28 the affairs of a limited partnership and the conduct of its business, including all  
29 amendments thereto.  
30  
31 (5) "Majority in interest of the general partners" means more than 50 percent of the interests  
32 of the general partners in the current profits derived from business operations of the  
33 limited partnership.  
34  
35 (6) "Managing general partner" means a general partner that:  
36  
37 (i) is a nonprofit corporation, or a limited liability company meeting the  
38 requirements of Revenue and Taxation Code section 214, designated in the  
39 limited partnership agreement as the "managing general partner" of the limited  
40 partnership;  
41  
42 (ii) receives a partnership management fee, or similar form of compensation  
43 however denominated, the amount for which is set in the limited partnership  
44 agreement for performing its partnership management duties, to the extent  
45 there is any cash flow available after payment of all expenses, debt service,  
46 and reserves;  
47

- (iii) has “material participation,” as defined in subdivision (a)(7) below, in the control, management, and direction of the limited partnership’s business and such material participation is specified in and required by the terms of the limited partnership agreement; and
- (iv) ensures that charitable services or benefits, such as vocational training, educational programs, childcare and after school programs, cultural activities, ~~and~~ family counseling, transportation, meals, and linkages to health and/or social services are provided or information regarding charitable services or benefits are made available to the low-income housing tenants; and
- (v) does not have officers, directors, or employees that are also officers, directors, or employees of the for-profit general partners or affiliates of the for profit general partner or the for-profit limited partners of the limited partnership.
- (7) “Material participation” means that the limited partnership agreement expressly provides that the managing general partner:
- (i) has a right to vote in all the "major decisions," defined in subdivision (a)(8) below; and
- (ii) performs “substantial management duties,” defined in subdivision (a)(10) below, and-
- (iii) directly, or indirectly under its supervision and control, manages the limited partnership as specified in the limited partnership agreement.
- (8) "Major decisions" means those acts, if any, that require ~~may be done only~~ by a vote of a majority in interest of the general partners as specified in the limited partnership agreement.
- (9) “Partner” means a limited or general partner.
- (10) "Substantial management duties" means that the managing general partner actually performs two or more of the following partnership management duties on behalf of the limited partnership:
- (i) rents, maintains and repairs the low-income housing property, ~~and~~ or if such duties are delegated to a property management agent, participates in hiring and overseeing the work of the property management agent;
- (ii) participates in hiring and overseeing the work of all persons necessary to provide services for the management and operation of the limited partnership business;
- (iii) executes and enforces all contracts executed by the limited partnership;

- (iv) executes and delivers all partnership documents on behalf of the limited partnership;
- (v) prepares or causes to be prepared all reports to be provided to the partners or lenders on a monthly, quarterly, or annual basis consistent with the requirements of the limited partnership agreement;
- (vi) coordinates all present and ~~or~~ future development, construction, or rehabilitation of low-income housing ~~properties~~ property that is the subject of the limited partnership agreement;
- (vii) monitors compliance with all government regulations and files or supervises the filing of all required documents with government agencies;
- (viii) acquire, hold, assign or dispose of property or any interest in property;
- (ix) borrow money on behalf of the partnership, encumber partnership assets, place title in the name of a nominee to obtain financing, prepay in whole or in part, refinance, increase, modify or extend any obligation;
- (x) pay organizational expenses incurred in the creation of the partnership and all operational expenses; and
- (xi) determine the amount and timing of distributions to partners and establish and maintain all required reserves.
- (b) The managing general partner must maintain records and documents evidencing each partnership management duty performed by the managing general partner. ~~it performs and the charitable services and benefits provided or information made available to the low-income housing tenants.~~ Such records and documents include, but are not limited to:
- (1) accounting books and records;
  - (2) tax returns;
  - (3) budgets and financial reports;
  - (4) reports required by lenders;
  - (5) documents related to the construction or rehabilitation of real property;
  - (6) legal documents such as contracts, deeds, notes, leases, and deeds of trust;
  - (7) documents related to complying with government regulations and filings;
  - (8) documents related to property inspections;
  - (9) documents related to charitable services or benefits provided or the information provided regarding such services or benefits;
  - (10) reports prepared for the partners; ~~and~~
  - (11) bank account records; and
  - (12) audited annual financial statement of the limited partnership.
- (c) Substitution of Managing General Partner. A limited partnership in which the managing general partner is an eligible nonprofit corporation or an eligible limited liability company that has qualified for the welfare exemption for low-income housing may allow a substitution

1 of its managing general partner by another eligible nonprofit corporation without affecting  
2 the organizational qualification for the welfare exemption provided that:

3  
4 (1) the limited partnership agreement authorizes the withdrawal of the ~~existing~~ managing  
5 general partner and the admission of a substitute for the substituting managing general  
6 partner on the same effective date and ~~the~~ such admission of the substituting managing  
7 general partner into the limited partnership is in compliance with the requirements of  
8 section 15641 of the Corporations Code; and

9  
10 (2) the ~~substitute~~ managing general partner meets all of the requirements of a managing  
11 general partner set forth in subdivision (a)(6) above

12  
13 (d) Delegation of Authority Clause. If the limited partnership agreement contains a delegation of  
14 authority clause, such clause must provide either that:

15  
16 (1) the managing general partner may not delegate any of its substantial management duties  
17 defined in (a)(10) above; or

18  
19 (2) the managing general partner may delegate its substantial management duties, defined in  
20 (a)(10) above, to persons who, under its supervision, may perform such duties for the  
21 partnership subject to the supervision and approval by the managing general partner. If  
22 the managing general partner elects to delegate one or more of its substantial  
23 management duties, the managing general partner must demonstrate that it is actually  
24 supervising the performance of the delegated duties.

25  
26 (e) Certification Requirements. The limited partnership must file for and receive a supplemental  
27 clearance certificate from the Board as provided in Regulation 141.

28  
29 (f) The provisions of this regulation shall apply prospectively to claims or applications for the  
30 welfare exemption under Revenue and Taxation Code section 214, filed on or after the  
31 effective date of this regulation. Claimants that are not in compliance with this regulation  
32 shall be granted a reasonable amount of time to comply with this regulation.

1                   **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2                   **RULE 141 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3                   **OF THE BOARD OR ANY BOARD MEMBER.**  
4

5                   **DRAFT OF PROPOSED PROPERTY TAX RULE 141**  
6                   **REQUIREMENTS FOR SUPPLEMENTAL CLEARANCE CERTIFICATE**  
7                   **FOR LIMITED PARTNERSHIP FOR WELFARE EXEMPTION**  
8                   **FOR LOW-INCOME HOUSING PROPERTIES**  
9

- 10 (a) A limited partnership in which the managing general partner is an eligible nonprofit  
11 corporation, or eligible limited liability company, meeting the requirements of as defined  
12 ~~in~~ Regulation 140, that owns low-income housing property for which it will claim the  
13 welfare exemption shall file with the State Board of Equalization an application for a  
14 Supplemental Clearance Certificate for each low-income housing property. The form of  
15 the application shall be prescribed by the State Board of Equalization.  
16
- 17 (b) A Supplemental Clearance Certificate may be granted only if the managing general  
18 partner has already been granted an Organizational Clearance Certificate by the State  
19 Board of Equalization, as required under Revenue and Taxation Code section 254.6.  
20
- 21 (c) In order to qualify for a Supplemental Clearance Certificate, the general partners of the  
22 limited partnership, including the managing general partner, must certify under penalty of  
23 perjury under the laws of the State of California, that:  
24
- 25 (1) The acquisition, construction, rehabilitation, development, or operation of the  
26 property, or any combination of these factors, is financed with federal low-income  
27 housing tax credits or government financing, as defined in Regulation 142;  
28
- 29 (2) There is an enforceable and verifiable regulatory agreement or recorded deed  
30 restriction, as defined in Regulation 142, that restricts all or a portion of the property's  
31 usage for rental to lower income households and the units designated for use by lower  
32 income households are continuously available to or occupied by lower income  
33 households at rents that do not exceed those prescribed by ~~section 50053 of the~~  
34 ~~Health and Safety Code, or, to the extent that the terms of a regulatory agreement or~~  
35 ~~recorded deed restriction, as defined in Regulation 142, conflict with section 50053,~~  
36 or to the extent that none are provided in the regulatory agreement or recorded deed  
37 restriction, at rents that do not exceed those prescribed by such terms section 50053  
38 of the Health and Safety Code;  
39
- 40 (3) Funds that would have been necessary to pay property taxes are used to maintain the  
41 affordability of, or reduce rents otherwise necessary for, the units to be occupied by  
42 lower income households;  
43
- 44 (4) The managing general partner meets the requirements of Regulation 140; and  
45
- 46 (5) All of the information provided as part of the application for the Supplemental  
47 Clearance Certificate, including any accompanying statements or documents, is true,  
48 correct, and complete to the best of the knowledge and belief of the person(s) signing  
49 the application.



(d) The following information and documents shall be provided with the application for a Supplemental Clearance Certificate:

- (1) Legal name of the limited partnership;
- (2) Legal name of the managing general partner of the limited partnership, its corporate identification number and mailing address, and the date that it became the managing general partner of the limited partnership;
- (3) Name, title, telephone number, and e-mail address of person signing the application for the Supplemental Clearance Certificate;
- (4) The Organizational Clearance Certificate number and the date of issuance to the managing general partner. If an Organizational Clearance Certificate has not been issued to the managing general partner, an application for an Organizational Clearance Certificate must be filed by the managing general partner;
- (5) Complete address of the property for which the limited partnership is seeking the welfare exemption, including the zip code, and the date the limited partnership acquired the property;
- (6) Fiscal year for which the application is made;
- (7) List of any additions or deletions of general partners in the limited partnership, if any, after its formation;
- (8) Copy of Secretary of State form LP-1, Certificate of Limited Partnership, and, if applicable, Secretary of State form LP-2, Amendment to Certificate of Limited Partnership;
- (9) Copy of the regulatory agreement with a public agency, or a copy of a recorded deed restriction which verifies or evidences the receipt of federal low-income housing tax credits or government financing, as defined in Regulation 142; and
- (10) Copy of the grant deed or ground lease if land is not owned by the limited partnership.

(e) The limited partnership shall include a copy of the Supplemental Clearance Certificate with its welfare exemption claim filed with the assessor of the county in which the property is located.

(f) In the event that the general partner designated in the limited partnership agreement no longer meets the definition of managing general partner, as defined in Regulation 140, or the managing general partner withdraws from the partnership, the limited partnership shall report such event to the State Board of Equalization and the assessor of the county in which in property is located no later than the next succeeding annual filing deadline for the welfare exemption claim.

1           **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2           **RULE 142 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3           **OF THE BOARD OR ANY BOARD MEMBER.**

4  
5           **DRAFT OF PROPOSED PROPERTY TAX RULE 142**  
6           **WELFARE EXEMPTION REQUIREMENTS**  
7           **FOR LOW-INCOME HOUSING PROPERTIES**  
8

9           (a) **DEFINITIONS.** The definitions set forth in this regulation shall govern the construction of  
10           Revenue and Taxation Code section 214, subdivision (g):

- 11  
12           (1)   "~~Federal~~ Low-income housing tax credits" means that the property owner is eligible  
13           for and receives state low-income housing tax credits pursuant to Revenue and  
14           Taxation Code sections 12205, 12206, 17057.5, 17058, 23610.4 and 23610.5 or  
15           federal low-income housing tax credits pursuant to section 42 of the Internal Revenue  
16           Code.  
17  
18           (2)   "Government financing" means financing or financial assistance from local, state or  
19           federal government used for the acquisition, rehabilitation, construction,  
20           development, or operation of ~~the~~ a low-income housing property in the form of: (1)  
21           tax-exempt mortgage revenue bonds; (2) general obligation bonds; (3) local, state or  
22           federal loans; (4) local, state or federal grants; (5) any loan insured, held, or  
23           guaranteed by the federal government; ~~and~~ or (6) project-based federal funding under  
24           section 8 of the Housing Act of 1937. The term "government financing" does not  
25           include properties that solely receive federal rental assistance through tenant rent-  
26           subsidy vouchers under section 8 of the Housing Act of 1937.  
27  
28           (3)   "Other legal document" means a document that is adopted as a resolution or statement  
29           of policy by an organization's board of directors, or executed by an organization's  
30           chief executive officer, provided that the board of directors has delegated this  
31           authority in writing to the chief executive officer, that restricts the property's use to  
32           low-income housing, such that a minimum of 90% of the units of the property are  
33           made continuously available to or occupied by lower income households at rent levels  
34           defined in subdivision (c) below.  
35  
36           (4)   "Lower income households" means "lower income households" as defined by section  
37           50079.5 of the Health and Safety Code.  
38  
39           (5)   "Recorded deed restriction" means a deed recorded ~~in~~ as an encumbrance against title  
40           to the property in the official records of the county in which the property is located,  
41           which specifies that all or a portion of the property's usage is restricted to rental to  
42           lower income households and identifies the number of units restricted to use as low-  
43           income housing.  
44  
45           (6)   "Regulatory agreement" means an enforceable and verifiable agreement with a  
46           government agency that has provided ~~federal~~ low-income housing tax credits or  
47           government financing for the acquisition, rehabilitation, construction, development or  
48           operation of a low-income housing property that restricts all or a portion of the

property's usage for rental to lower income households. The regulatory agreement shall identify the number of units restricted for use as low-income housing, specify the maximum rent allowed for those units, and be recorded in the county in which the property is located. Until such time as the Regulatory Agreement is finalized and recorded, the Preliminary Reservation Letter from the California Tax Credit Allocation Committee or California Debt Limit Allocation Committee Bond Cap Allocation Letter is acceptable.

(b) **QUALIFIED CLAIMANTS.** Claimants may qualify for the welfare exemption for low-income housing properties provided that the requirements set forth in either (1) or (2) below are met:

(1) All claimants listed under Revenue and Taxation Code section 214, subdivision (g)(1) as a qualifying organization, including limited partnerships in which the managing general partner is an eligible nonprofit corporation or an eligible limited liability company, may qualify for the exemption for a particular property provided that:

(i) the claimant receives ~~federal~~ low-income housing tax credits or government financing for the particular property; and

(ii) the property is subject to a recorded deed restriction or a regulatory agreement which is recorded in the county in which the property is located.

(2) All low-income housing properties, subject to restrictions imposed by an other legal document, defined in subdivision (a)(3) above, owned by claimants listed under Revenue and Taxation Code section 214, subdivision (g)(1) as a qualifying organization, other than limited partnerships in which the managing general partner is an eligible nonprofit corporation or an eligible limited liability company, qualify for the welfare exemption but the amount of the exemption shall not exceed \$20,000 in tax for a single claimant with respect to a single or multiple properties as provided in Revenue and Taxation Code section 214, subdivision (g)(1)(C).

(c) **~~FEDERAL—LOW-INCOME HOUSING TAX CREDITS AND GOVERNMENT FINANCING.~~** For purposes of subdivision (b)(1)(i) above, a property has ~~federal~~ low-income housing tax credits or government financing, as defined in subdivisions (a)(1) and (a)(2), respectively, for the period of time that a regulatory agreement or recorded deed restriction restricts the use of all or any portion of the property for rental to lower income households even if the government financing has been refinanced or has been paid in full, or the term allocation of the ~~federal~~ low-income housing tax credits has terminated or expired, provided that the government agency that is a party to the regulatory agreement continues to monitor and enforce compliance with the terms of the regulatory agreement.

(d) **PERCENTAGE OF UNITS AND RENT.**

(1) For claims qualifying under subdivision (b)(1) above, an exemption shall be granted equal to that percentage of the value of the property, which is made continuously available for rental to or occupied by lower income households at rents that do not exceed those prescribed by section 50053 of the Health and Safety Code, or, to the

1 extent that the terms of the regulatory agreement or recorded deed restriction conflict  
2 with section 50053, rents do not exceed those prescribed by such terms.  
3

- 4 (2) The percentage of the value of the property qualifying for the exemption is based on the  
5 actual use of the property for rental to lower income households for the qualifying rent,  
6 and is not limited to the percentage designated for use by lower income households in  
7 the regulatory agreement, recorded deed restriction, or other legal document. Units  
8 reserved for the resident property manager are included in the percentage of units that  
9 qualify for the exemption.  
10

1                   **THE LANGUAGE SET FORTH IN THIS DRAFT OF PROPOSED**  
2                   **RULE 143 DOES NOT REFLECT OR REPRESENT THE POSITION**  
3                   **OF THE BOARD OR ANY BOARD MEMBER.**

4  
5                   **DRAFT OF PROPOSED PROPERTY TAX RULE 143**  
6                   **REQUIREMENTS FOR IRREVOCABLE DEDICATION CLAUSE**  
7                   **AND DISSOLUTION CLAUSE FOR WELFARE EXEMPTION**  
8

9   **(a) DEFINITIONS.** For the purposes of this regulation:

- 10  
11           (1) “Dissolution clause” means a statement in the organizational documents of a  
12           qualifying organization that upon the liquidation, dissolution, or abandonment of the  
13           qualifying organization, the exempt property will not inure to the benefit of any private  
14           person except another qualifying organization.  
15  
16           (2) “Irrevocable dedication clause” means a statement in the organizational documents of a  
17           qualifying organization that the property is irrevocably dedicated exclusively to one or  
18           more qualifying purposes.  
19  
20           (3) “Organizational document” means the articles of incorporation of a corporation, or the  
21           bylaws, articles of association, constitution or regulations of a community chest, fund,  
22           or foundation, or corporation chartered by an act of Congress.  
23  
24           (4) “Qualifying organization” means a community chest, fund, foundation, nonprofit  
25           corporation, or eligible limited liability company ~~meeting the requirements of~~  
26           ~~Regulation 136~~, organized and operated exclusively for religious, hospital, scientific,  
27           or charitable purposes. Charitable purposes include educational purposes as defined in  
28           Revenue and Taxation Code section 214, subdivision (j).  
29  
30           (5) “Qualifying purpose” means a religious, hospital, scientific or charitable purpose.  
31           Charitable purposes include educational purpose as defined in Revenue and Taxation  
32           Code section 214, subdivision (j).  
33

34   **(b) IN GENERAL.** In order to qualify for the welfare exemption provided in Revenue and  
35   Taxation Code section 214, among other requirements specified therein, the property owned by  
36   a qualifying organization must be irrevocably dedicated exclusively to a qualifying purpose, and  
37   upon the liquidation, dissolution, or abandonment of the qualifying organization, the property  
38   will not inure to the benefit of any private person except another qualifying organization. In  
39   order to satisfy these requirements, the organizational document of the qualifying organization  
40   must contain both an irrevocable dedication clause, which meets the requirements set forth in  
41   subdivision (c) below, and a dissolution clause, which meets the requirements set forth in  
42   subdivision (d) below.  
43

44   **(c) IRREVOCABLE DEDICATION CLAUSE.** Property is deemed to be irrevocably dedicated  
45   exclusively to a qualifying purpose provided that a qualifying organization’s organizational  
46   document contains a statement that irrevocably dedicates its property exclusively to a  
47   qualifying purpose.  
48

(1) If the organization's charitable purpose is educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j), the irrevocable dedication clause shall state that the property is irrevocably dedicated to educational purposes as defined in section 214, subdivision (j), or that the property is irrevocably dedicated to charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

(2) If the irrevocable dedication clause states that the property is dedicated to purposes other than the qualifying purposes, the property does not qualify for the welfare exemption.

(3) If the irrevocable dedication clause states that the property is irrevocably dedicated to a "public" or "public benefit" purpose, the property does not qualify for the welfare exemption.

(4) The following examples illustrate irrevocable dedication clauses as defined in subdivision (a)(3) above:

Example No. 1: The property owned by this organization is irrevocably dedicated to charitable, scientific, hospital, or religious purposes.

Example No. 2: The property owned by this organization is irrevocably dedicated to charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

Example No. 3: The property owned by this organization is irrevocably dedicated to educational purposes as defined in Revenue and Taxation Code section 214, subdivision (j).

Example No. 4: The property located in California owned by this organization is irrevocably dedicated to charitable, scientific, hospital, or religious purposes.

Example No. 5: The property owned by this organization is irrevocably dedicated to charitable purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.

Example No. 6: The property of this corporation is irrevocably dedicated to charitable purposes and no part of the net income or assets of this corporation shall ever inure to the benefit of any director, officer or member thereof or to the benefit of any private person.

**(d) DISSOLUTION CLAUSE.** In order to qualify for the welfare exemption, the qualifying organization's organizational document must contain a dissolution clause, which specifically states that its property will be distributed to another qualifying organization entity upon its liquidation, dissolution, or abandonment.

(1) If the dissolution clause in the organizational document designates a specific organization to receive the distribution, it must state and the designated organization must be a qualifying organization that is organized and operated for a qualifying purpose.

(2) The dissolution clause of the qualifying organization may provide that, upon the liquidation, dissolution, or abandonment of the qualifying organization, the property will inure to the benefit of a governmental entity.

(3) The following examples illustrate dissolution clauses as defined in subdivision (a)(1) above:

Example No. 1: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to ~~an qualifying organization under Revenue and Taxation Code section 214, which is~~ organized and operated for a charitable, scientific, hospital, or religious purpose meeting the requirements of Revenue and Taxation Code section 214.

Example No. 2: Upon the liquidation, dissolution or abandonment of this organization, the proceeds or assets related to property located in California, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to ~~an qualifying organization under Revenue and Taxation Code section 214, which is~~ organized and operated for a charitable, scientific, hospital, or religious purpose meeting the requirements of Revenue and Taxation Code section 214.

Example No. 3: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to ~~an qualifying organization under Revenue and Taxation Code section 214, which is~~ organized and operated ~~for~~ exclusively for charitable and educational purposes meeting the requirements of Revenue and Taxation Code section 214.

Example No. 4: Example No. 4: Upon the liquidation, dissolution or abandonment of this organization, its assets, remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to ~~an qualifying organization under Revenue and Taxation Code section 214, which is~~ organized and operated ~~for~~ exclusively for educational purposes meeting the requirements of as defined in Revenue and Taxation Code section 214, subdivision (j).

Example No. 5: Upon the dissolution or winding up of the corporation, its assets remaining after payment, or provision for payment, of all debts and liabilities of this corporation shall be distributed to a nonprofit fund, foundation or corporation which is organized and operated exclusively for charitable purposes and which has established its tax exempt status under section 501(c)(3) of the Internal Revenue Code.

Example No. 6: Upon the dissolution or winding up of the organization, its assets remaining after payment or provision of payment of all debts and liabilities of this organization, shall be distributed to a nonprofit organization which is organized and operated exclusively for charitable purposes.

#### **(e) FAILURE TO MEET REQUIREMENTS.**

- (1) If, at the time of filing, the applicant's organizational document does not contain an irrevocable dedication clause and/or a dissolution clause which meets the requirements of subdivisions (c) and (d), respectively, the organization does not qualify for the Organizational Clearance Certificate. However, the applicant may be issued an Organizational Clearance Certificate for the fiscal year for which the Organizational Clearance Certificate is requested on its application if the applicant amends its

1 organizational documents and submits a certified copy of the amendment to the State Board  
2 of Equalization by the next succeeding lien date.  
3

4 (2) If, at the time of filing, applicant's organizational documents did not contain an irrevocable  
5 dedication clause and/or a dissolution clause which meets the requirements of subdivisions  
6 (c) and (d), respectively, and the applicant amends its organizational documents after the  
7 next succeeding lien date, an Organizational Clearance Certificate may be issued for the  
8 fiscal year following the lien date by which the applicant amends its organizational  
9 documents and submits a certified copy of the amendment to the State Board of  
10 Equalization.  
11

12 (3) If the applicant amends its articles of incorporation, the amended articles must be filed with  
13 the Secretary of State's office and an endorsed copy must be provided to the State Board of  
14 Equalization.  
15

16 (4) The county assessor may not approve a welfare exemption claim until the State Board of  
17 Equalization has issued an Organizational Clearance Certificate.  
18  
19